

City of Atlanta

A Process Review and Redesign
of the Procurement Process

Final Report
July 26, 2002

Presented By:

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July 26, 2002

Agenda

- Case for Change
- The Vision...
- Strategy for New Purchasing Organization
- Road Map for Change
- The Bottom Line...

Case for Change:

TOTAL REALIZABLE SAVINGS: \$24.1 - \$56.1 Million



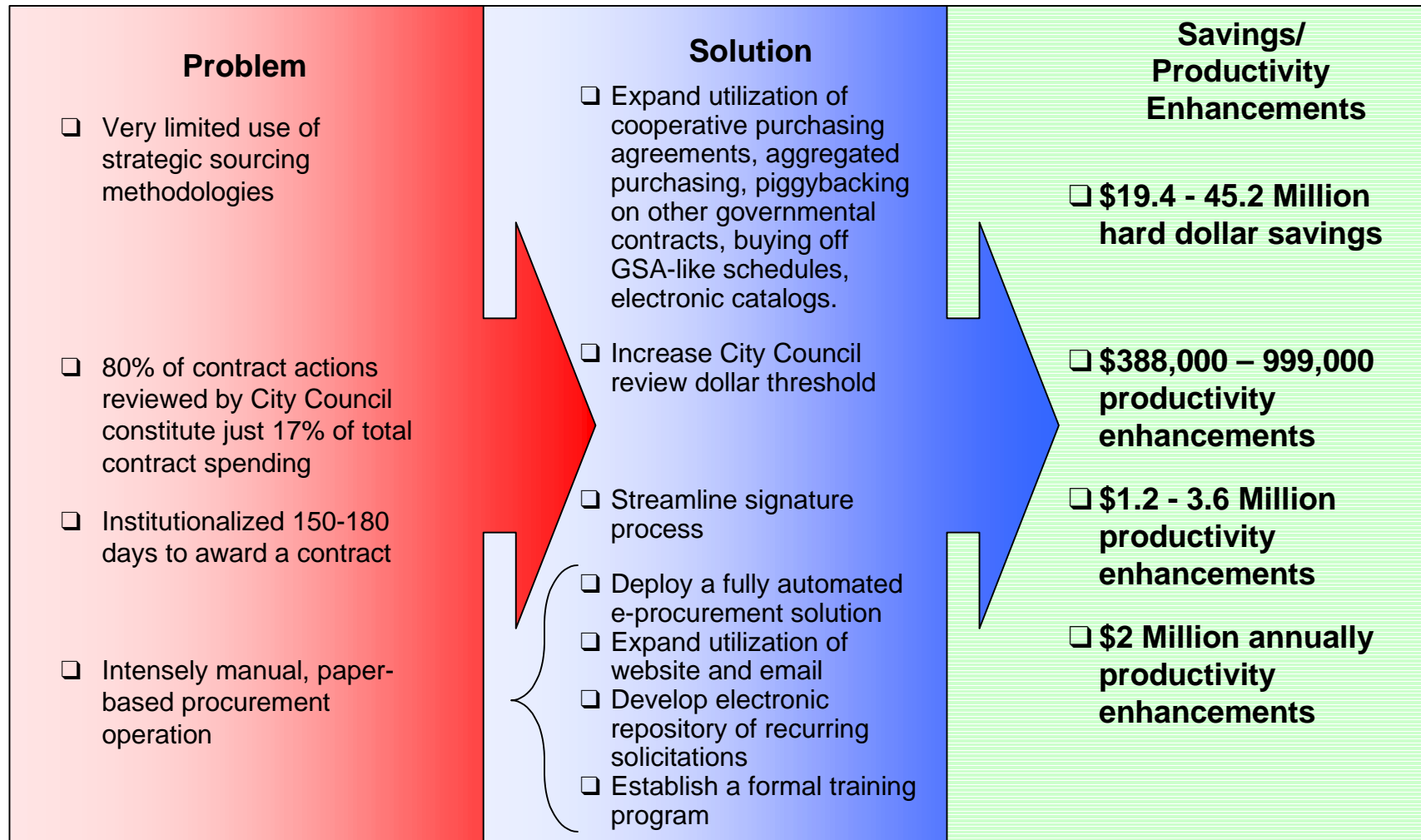
The **City of Atlanta's purchasing operation** is rapidly approaching a major "jumping-off" point.

The City's rate of procurement and contracting related spending will jump from approximately \$630 million per year to an estimated \$1.5 billion annually for the next several years.

Massive capital improvement and expansion programs initiated by the Water/Sewer consent decree and the Department of Aviation expansion project will require best-in-class levels of customer service from the purchasing operation - **nothing less will suffice.**

Case for Change:

TOTAL REALIZABLE SAVINGS: \$24.1 - \$56.1 Million



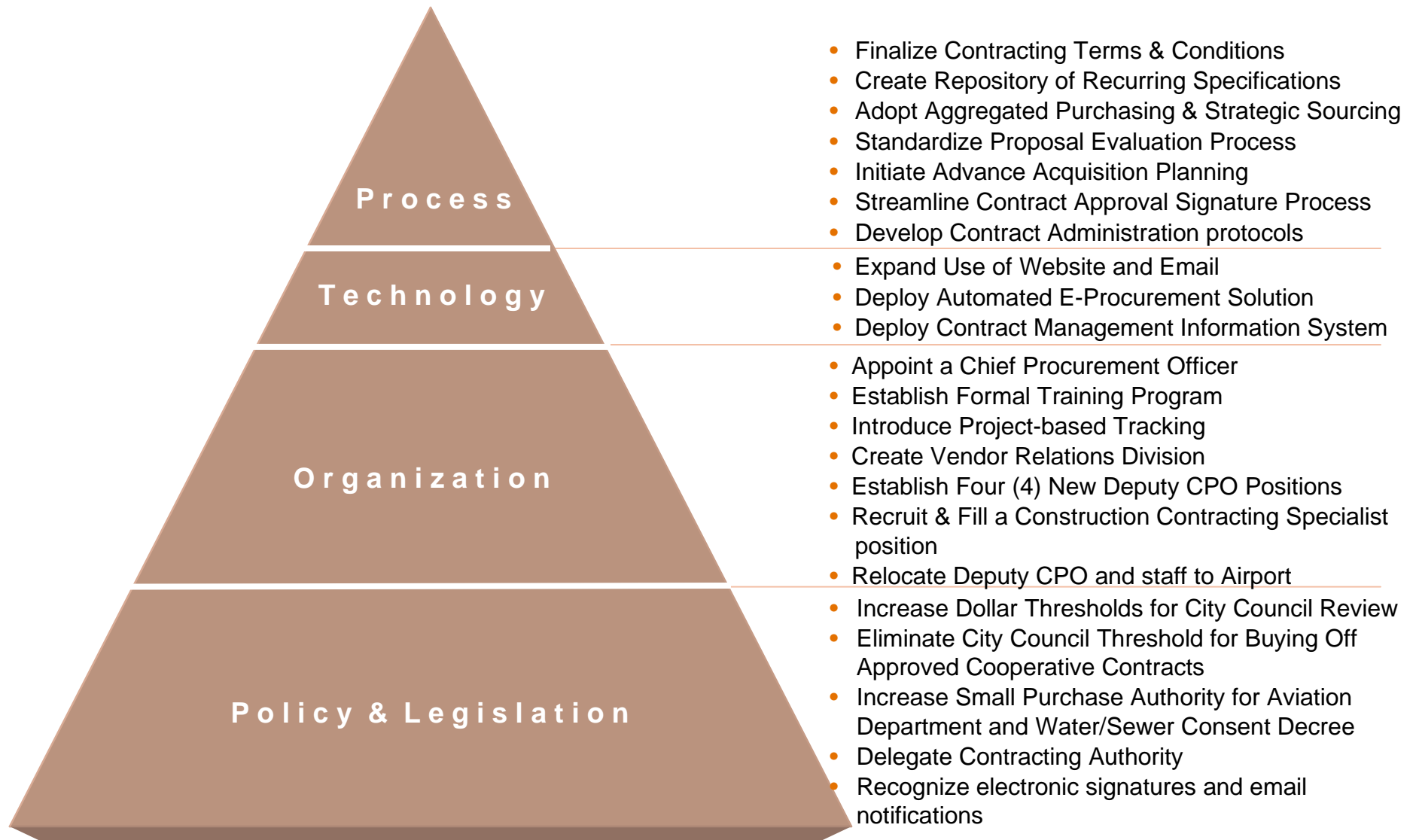
The Vision...

To be a best-in-class purchasing organization dedicated to creating a highly responsive procurement system.

- Ensure integrity of the purchasing process by being ethical, honest, and fair.
- Maximize the value that the City receives on spending.
- Effectively execute the City's public policy goals related to purchasing.
- Be efficient and effective.
- Assure Transparency with a high degree of customer service
- *Customer Focused.*
- Develop and maintain a well-trained, professional and organized workforce.

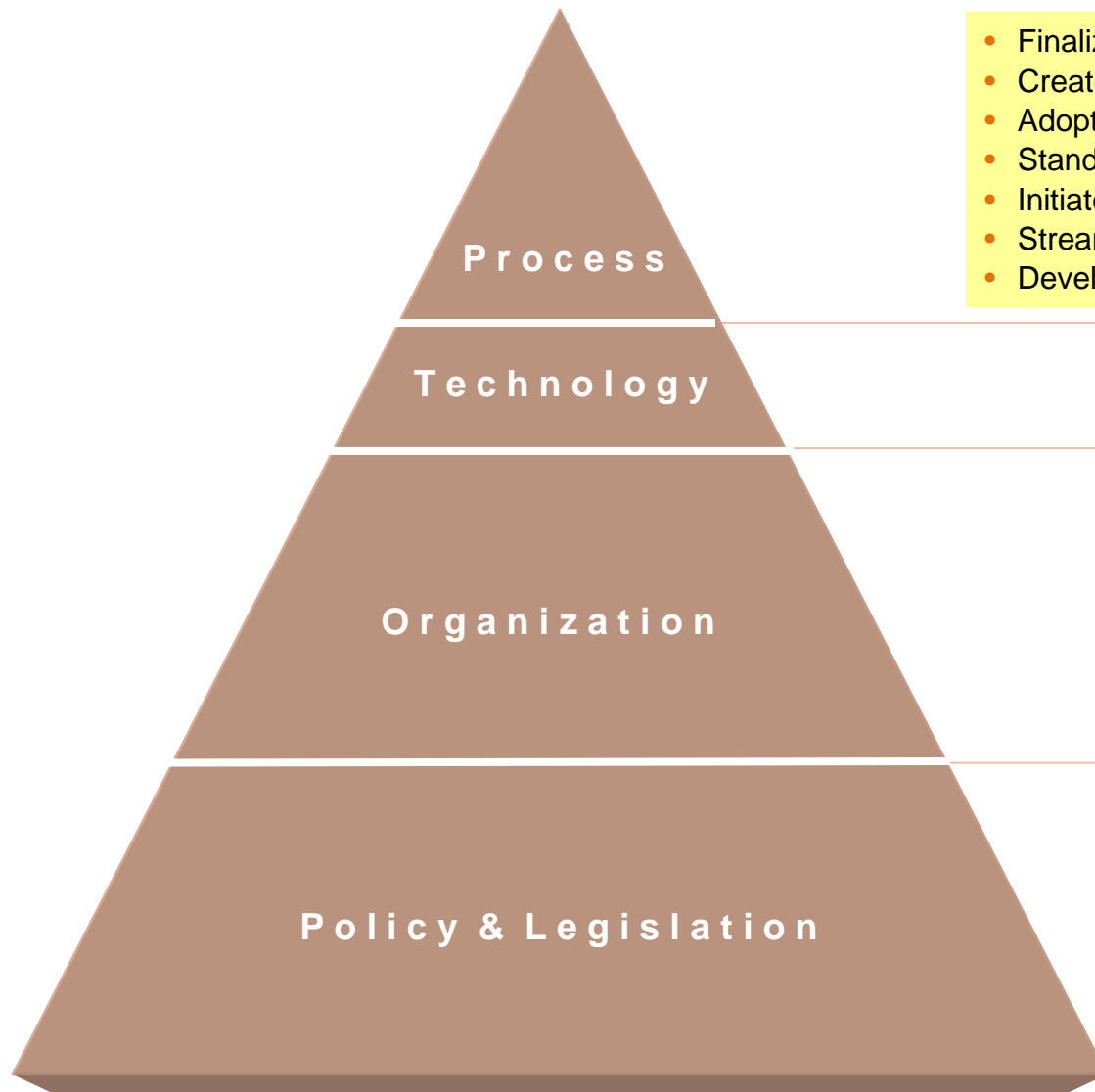
Road Map for Change: *"The great thing in this world is not so much where we are, but in what direction we are moving..."*

-Oliver Wendell Holmes



Road Map for Change: *"The great thing in this world is not so much where we are, but in what direction we are moving..."*

-Oliver Wendell Holmes



- Finalize Contracting Terms & Conditions
- Create Repository of Recurring Specifications
- Adopt Aggregated Purchasing & Strategic Sourcing
- Standardize Proposal Evaluation Process
- Initiate Advance Acquisition Planning
- Streamline Contract Approval Signature Process
- Develop Contract Administration protocols

Reinventing the wheel wastes time and costs the City money.

The Problem

- ***No Finalized Terms & Conditions:*** User departments change contractual Terms and Conditions without authorization
- ***No Repository of Recurring Specifications:*** Poorly written specifications create a need for multiple clarifying addenda and time-consuming pre-proposal conferences
- ***No Standardized Proposal Evaluation Process:*** The current proposal evaluation process lacks structure and organization, is confusing to participants, and does not result in timely review or selection

Best Practices in Standardizing the Procurement Process:

- **Texas Department of Transportation** has developed and made available consistent, high-quality specifications and statements of work (SOWs) that address:
 - ✓ Predictable requirements
 - ✓ Repeatable needs
 - ✓ Centralized customer access to past “good quality” specifications and SOWs
 - ✓ Maintenance and update of an electronic library of standardized and reliably comprehensive specifications for repetitive utilization
- The **District of Columbia** has standardized contract terms and conditions by contract type and includes boilerplate language in solicitation packages, enabling potential vendors to make informed decisions regarding their “comfort level” with the District’s requirements.
- **Chicago** “de-mystified” and significantly streamlined its purchasing processes by standardizing roles and responsibilities, educating participants as to their duties within the process, and encouraging improved and ongoing communication between purchasing professionals and user department customers

Standardization improves timeliness and quality.

The Strategy:	The Costs:	The Benefits:
Finalize contracting Terms & Conditions ¹	Internal Personnel Resources	<ul style="list-style-type: none"> ✓ Reduce cycle times by eliminating the need for multiple reviews to ensure standard contract boilerplate has not changed ✓ Reduce number of clarifying addenda required to respond to vendor questions ✓ Simplify, standardize, and improve the quality of solicitations ✓ Improve the quality and timeliness of the proposal evaluation process
Create an electronic repository of recurring specifications	\$231,000 (labor, software, hardware, and NIGP membership) ²	
Standardize the proposal evaluation process	\$50,000 - \$75,000 Consulting Costs	

¹ The Law Department has been developing standard Terms & Condition language.

² The National Institute of Governmental Purchasing, Inc. (NIGP) is a national, membership-based non-profit corporation providing support to professionals in the in public sector purchasing. NIGP provides its members with many services, including education, professional networking, research, and technical assistance.

The lack of advance acquisition planning makes the bend ahead a blind curve.

The Problem

- ***Lack of Advance Acquisition Planning Activities:*** Limited Advance Acquisition planning - especially for large and complex contracts - carries a unique set of negative impacts for the City
 - COA leadership has not embraced advance acquisition on a citywide basis.
 - BPRE's Contract Division is not internally able to effectively plan for upcoming actions by shifting staff resources, altering workloads, or structure a realistic priorities schedule.
 - Key departments outside BPRE involved in the contracting process (Risk Management, Office of Contract Compliance, Law Department) have limited awareness of what to expect in the way of looming workload.
 - Failure to award contracts timely translates into hard dollar penalties or negatively impact business relationships with third-party stakeholders.
 - Currently, dialogue between BPRE and the Aviation Department is focused on status tracking rather than meaningful advance acquisition planning.
 - Planning and management tools, such as Primavera, that the City already uses are not effectively utilized for advance planning on an enterprise-wide basis.

The lack of advance acquisition planning makes the bend ahead a blind curve.

Best Practices in Advance Acquisition Planning:

- The Center for Advance Acquisition Planning Studies (CAPS) strongly recommends implementing proactive purchasing strategies that will add value. Chief among these “value adding” strategies is ensuring early purchasing involvement in the contract planning and need identification processes.
- The City has an Advance Acquisition Planning structure for the Water/Sewer consent decree whose structure and access to planning tools could be adopted for other customers.

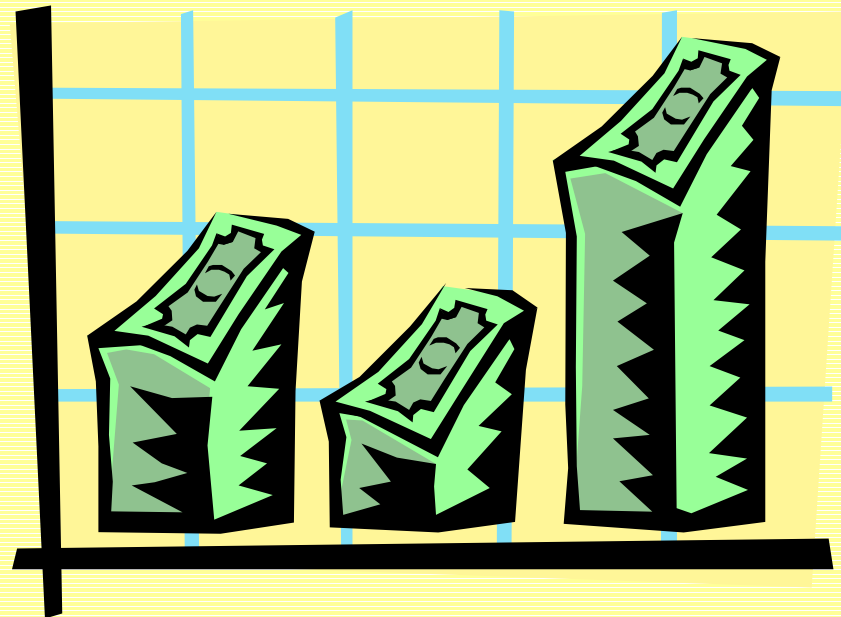
Initiate meaningful communication with key departmental customers.

The Strategy:	The Costs:	The Benefits:
<p>The City's purchasing organization and user departments, especially the Aviation Department:</p> <ul style="list-style-type: none"> ➡ Need to collaboratively develop realistic Advance Acquisition Planning goals and objectives. ➡ Need to insure that appropriate executive-level decision-makers actively participate throughout the planning process. ➡ Agree upon standard status tracking milestones and a single, shared tracking tool (i.e., Access database, Excel spreadsheet, MS Project, Primavera, etc.). ➡ Agree on information reporting formats and communication roles and responsibilities. ➡ Define desired outcomes. 	<p>Internal Personnel Resources</p>	<ul style="list-style-type: none"> ✓ Effective foreshadowing of what is in the upcoming contract pipeline ✓ Enhanced customer service ✓ Reduced cycle time to award contracts ✓ Avoidance of potential hard-dollar penalty due to the City's failure to award contracts timely ✓ Early identification of requirements and when they need to be in place ✓ Improved workload management and human resource allocation

The cost savings generated by strategic sourcing drop straight to the bottom line.

The Problem: *Need to Adopt Aggregated Purchasing and Strategic Sourcing*

- The City of Atlanta is currently engaging in strategic sourcing activities on a limited basis when it buys computers, copiers, or printers off the State of Georgia contract, and making limited use of blanket purchase agreements. However, much more could be done, especially in the following areas:
 - Aggregated Buying
 - Cooperative Purchasing Agreements
 - Newly developed GSA-like schedules
 - Greater Utilization of Blanket Purchase Orders
 - Electronic Catalogs



The cost savings generated by strategic sourcing drop straight to the bottom line.

The Problem: *The City's processes and systems do not allow it to track or analyze what it buys.*

- The direct impact of the City's failure to more actively embrace "smart buying" techniques manifests itself in the following ways:
 - The COA cannot track with precision the items that is is purchasing.
 - Existing reporting mechanisms are inadequate to perform the spending analysis required for aggregated purchasing and strategic sourcing.
 - Staff resources are bogged down performing low-value, repetitive tasks instead of focusing on strategic planning, spending analysis, and improved customer services.
 - The inability to gain access to spending and vendor data prevents meeting the City's integrity, efficiency, and transparency goals.
 - The City does not realize the cost savings generally associated with large-scale cooperative government contracts. ***Due to the \$20,000 threshold for City Council review of these contracts, buying off these contracts may take 3 times as long, discouraging the use of cooperative government contracts.***
 - Staff are reactive, rather than proactive, when dealing with user department customers.
 - A higher number of FTEs are required to support procurement operations in a manual environment that does not employ a sound strategic sourcing strategy.

The cost savings generated by strategic sourcing drop straight to the bottom line.

Best Practices in Strategic Sourcing:

- Data collected by the National Association of State Procurement Officials (NASPO) indicates that over 65% of the governments surveyed reported savings of over 15% through consolidation of purchasing, cooperative purchases, “piggybacking” on other governmental jurisdiction's contracts.
- **Seattle, Washington** implemented strategic sourcing initiatives that are estimated to save \$15.5 million through the year 2006 by improved capability to leverage buying power, improved contracting strategies, and better discount rates. The estimated savings were based on three commodity categories: electric utility inventory, desktop computers, and office supplies.
 - ➡ Improved pricing for electric utility commodity netted Seattle \$281,000 per year in 1999.
 - ➡ Savings for desktop computer and office supplies exceeded \$1.5 million in 2000.
- The city of **Tempe, Arizona** took the lead in developing a cooperative buying program among public agencies in the Phoenix metropolitan area. The purpose of this buying group was to reduce costs through volume buying and to obtain further contract concessions by vendors through volume and long-term contracting

The buying group's cooperative activities have resulted in direct cost savings related to goods and services, administrative cost savings, as well as time efficiencies for participating public agencies. Specific examples include:

- ➡ One city saved \$186,000 for water chemicals
- ➡ Another city saved \$35,000 over past contract purchases handled on an individual basis.

A market basket sample of office supplies demonstrates the savings that COA could generate from strategic sourcing.

Market Basket of Office Supplies:



Commodity	Unit	City Price	U.S. Communities Price	% Difference
Catalog Products				
Post It Notes	Each	\$1.45	\$0.56	-61.40%
Ball Point Pens	Box	\$1.39	\$1.33	-4.30%
Manila Folders	Box	\$24.49	\$4.48	-81.70%
Blanket Purchase Agreement Products				
Copy Paper				
Continuous	Box	\$17.00	\$14.95	-12.10%

Source: Data provided by COA Project Management Office

¹ U.S. Communities is a nonprofit agency that assists public agencies reduce the cost of purchased goods through pooling the purchasing power of public agencies nationwide by competitively bidding quality products through a lead public agency. The Advisory Board members consist of public purchasing professionals from Allegheny County, PA; Baltimore, MD; City of Charlotte/Mechlenbug County, NC; Cobb County, GA; Dallas County, TX; Denver, CO; Detroit Public School, MI; Fairfax County, VA; Harford County Public Schools; MD; Hennepin County, MN; Houston, TX; Los Angeles County, CA; Maricopa County, AZ; Miami-Dade County, FL; San Antonio, TX; Seattle, WA.

² City Price is based on an average of catalog prices from 5 vendors.

³ City Price is based on the price on the City's annual contract.

The cost savings generated by strategic sourcing drop straight to the bottom line.

The Strategy:	The Costs:	The Benefits:
<p>Take immediate and aggressive steps to implement several programs, including:</p> <ul style="list-style-type: none"> ➤ Aggregated Purchasing – Purchase selected goods, services, and utilities at greatly reduced amounts through an “Aggregated Purchasing Program.” Through this program, each entity will identify goods and services that are purchased in high quantities throughout the year. ➤ Cooperative Purchasing Agreements – Develop and maximize purchasing agreements with other governmental entities. Start by <u>eliminating the current \$20,000 Council review requirement</u> off of state contracts, cooperative purchasing transactions, or contracts established by a public procurement unit. ➤ Strategic Sourcing or Scheduled Buys – The City has several options that will prove helpful in reducing the volume of “one-off” contracting activities, as well as result in significant cost and time savings. ➤ GSA-like Schedules – Take advantage of GSA schedule prices by initiating a program that allows vendors to adopt an existing GSA schedule, provided the schedule pricing meets price reduction goals and the supplier agrees to provide goods or services at that schedule price. 	<p>Internal Personnel Resources</p>	<ul style="list-style-type: none"> ✓ Administrative or Process –related benefits: <ul style="list-style-type: none"> ➤ Reduce paperwork ➤ Reduce cycle times by 25% - 35% ➤ Enhance collaboration and knowledge sharing ➤ Minimize performance of low-value, repetitive tasks ✓ Soft dollar savings related to staff spending less time on status tracking and more time on spending analysis and strategic thinking ✓ Hard dollar realizable savings cited by CAPS Research, NIGP, NASPO, and the Aberdeen Group include the ability to negotiate 5%-20% unit price reductions, on average. Some jurisdictions have reported savings of up to 30%.

The cost savings generated by strategic sourcing drop straight to the bottom line.

Possible Contract Related Strategic Sourcing Opportunities:

SIC Code	Description	Amount	# of POs	Vendors
8711	Engineering Services	\$99,238,389	56	21
1623	Water, Sewer, Pipeline, and Communications and Power Line Construction	\$ 88,904,403	135	24
1629	Heavy Construction	\$ 55,845,141	30	13
8742	Management Consulting Services	\$ 54,351,354	56	45
1542	General Contractors - Non Residential	\$ 51,153,443	37	20
6531	Real Estate Agents and Managers	\$ 33,025,105	44	27
7349	Building Cleaning and Maintenance Services	\$ 12,108,268	38	9
8322	Individual & Family Social Services	\$ 8,065,253	115	73
1522	General Contractors - Residential Buildings, Other than Single-Family	\$ 7,751,000	139	64
7381	Detective, Guard, and Armored Car Services	\$ 3,729,565	33	14
7311	Advertising Agency Services	\$ 2,725,309	114	14
1711	Plumbing, Heating & Air-conditioning	\$ 874,466	28	6
5199	Non-durable Goods	\$ 280,499	25	24
	Total	\$418,052,203	850	354

Source: MARS/G Financial System FY 2001 data.

The COA can apply strategic sourcing methodologies to all methods of purchasing.

- Strategic Sourcing forces you to look at what the City is buying to determine the best vehicle.
- The objective is to reduce the number of solicitations and related contract approval and administrative process inefficiencies through strategic sourcing.
- A key benefit of Strategic Sourcing is a spending history to identify how much the City is buying to maximize volume versus spot pricing from suppliers.
- **Procurements**
 - Identify repetitive goods and services and put a blanket purchase order in place.
 - **Example:** Identify the categories and spending on printing and imaging services. Create a solicitation containing the line items for those services (large, offset printing, digital imaging, etc.) and get the best pricing. These contracts are then handled like **blanket purchase orders**.
 - For services like catering or limousine services, the City can establish a unit pricing mechanism, such as zones, hours, miles, etc. If the City has bought the goods and services before, a unit price may already be established and would be easiest to use.
- **Contracts**
 - For services, create an ID/IQ (Indefinite Demand/Indefinite Quantity) vehicle that puts a contract in place based on labor rate. Statement of works are based on predefined labor rates. Task orders are based on the number of hours required to perform the work.
 - **Example:** For an emergency repair for a watermain break, the COA would have a contract that has a price per part and a labor rate. The user department can issue a task order for the repair based upon the the number of hours required and the parts required.

The cost savings generated by strategic sourcing drop straight to the bottom line.

Hard dollar realizable savings include the ability to negotiate 5%-20% unit price reductions, on average. Some jurisdictions have reported savings of up to 30%.

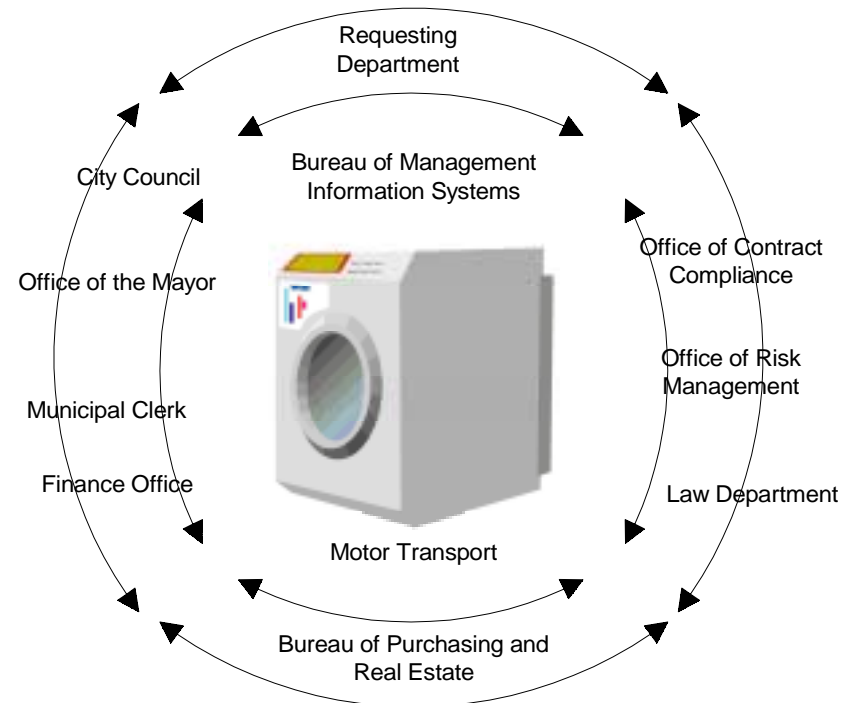
TOTAL REALIZABLE SAVINGS: \$19 - 45 Million

Method	Most Frequently Purchased Goods & Services	FY2001 Amounts	# of Transactions	Low Reduction Goal %	High Reduction Goal %	Low Reduction Amount	High Reduction Amount
Field Purchase Orders	Air Conditioners; Commercial Parts; Accessories; Uniforms; General Office Supplies	\$ 15,916,525	52,311	10%	20%	\$ 1,591,652	\$ 3,183,305
Blanket Purchase Orders	Copying Machines; Uniforms; Electrical Equipment; Materials & Supplies	\$ 28,861,487	1,483	5%	10%	\$ 1,443,074	\$ 2,886,148
Procurements	Escalator Maintenance & Repair; General Contractor Services; Commercial Alteration & Renovation	\$ 38,414,776	2,014	10%	15%	\$ 3,841,477	\$ 5,762,216
Top 13 Contract activities	Consulting, Accounting, & Accounting Services; Engineering Services; Commercial Alteration & Renovation	\$418,052,203	850	3%	8%	\$ 12,541,566	\$ 33,444,176
TOTAL		\$ 501,244,993	56,658			\$ 19,417,770	\$ 45,275,846

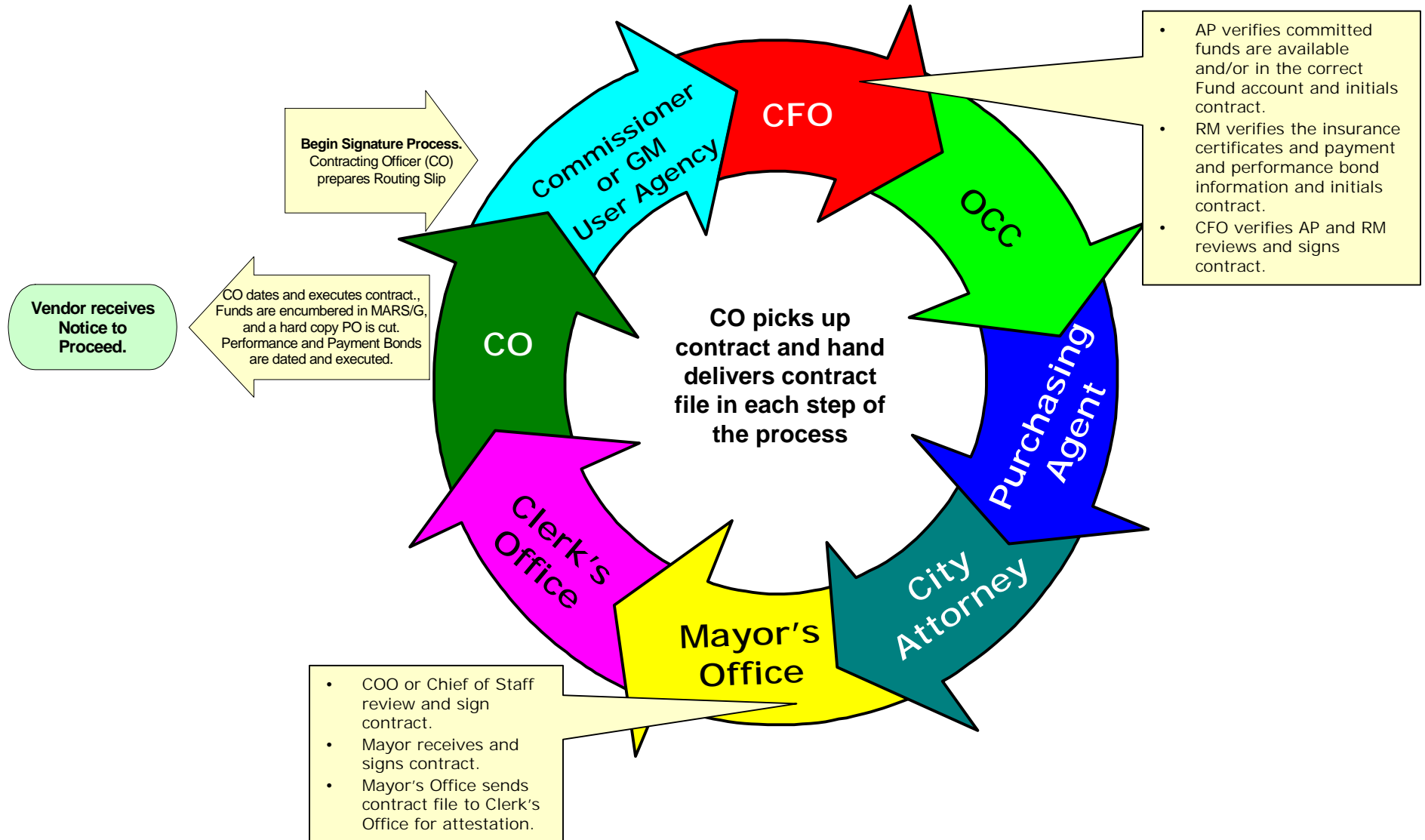
Signature process requires multiple spins through the rinse-cycle!

The Problem: *Convolutd Contract Approval Signature Process*

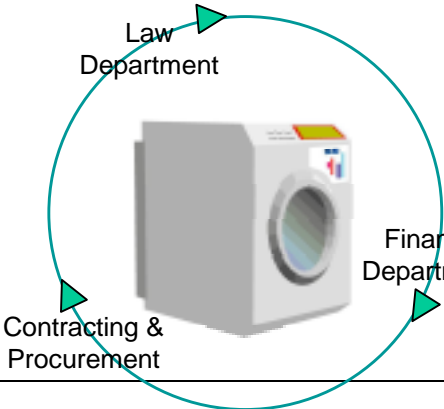
- The current Signature Process for contract award results in contracts going through at least two reviews by the Requesting Department, Finance, OCC, BPRE and Law.
- In most cases, since the department is already very familiar with the procurement action, the subsequent review(s) usually only serve to make certain that nothing significant has changed.
- This “multiple-spin cycle” signature review process creates an enormous amount of lag time where the actions are moving from one person to another or simply waiting for review.
- This process results in considerable loss time in obtaining the needed goods or services which often leads to some alternative solution which is usually more costly.



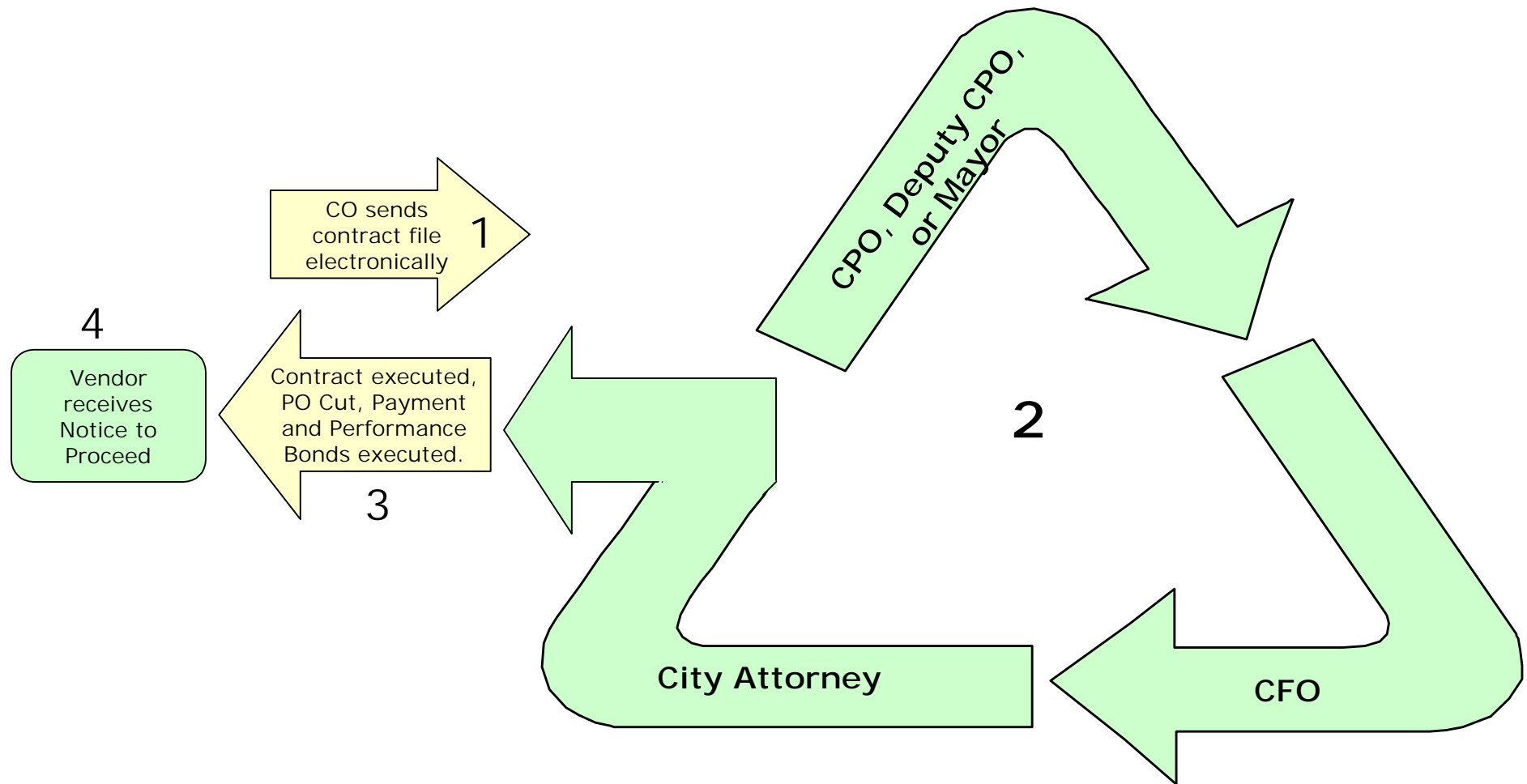
As Is Signature Process



A streamlined signature process significantly reduces cycle time.

The Strategy:	The Costs:	The Benefits:
<ul style="list-style-type: none"> • Required Signers should be: <ul style="list-style-type: none"> ➡ Mayor (only contracts valued at \$1 million+) ➡ CPO (all contracts) ➡ Deputy CPO (delegated signing authority on behalf of CPO) ➡ CFO (all contracts) ➡ City Attorney (all contracts) • Recommend adopting a process of <u>notification</u> rather than requiring current roster of non-value added signatures. <ul style="list-style-type: none"> ➡ Simultaneous broadcast to all "notice" reviewers ➡ Five days to raise "red flag" or consent is assumed. ➡ Hold reviewers accountable and impose sactions for nonperformance ➡ Strict adherence to mandated timeframes • If no red flags are raised during 5-day notice period, required signers have 2 days each to sign the contract. 	None	<ul style="list-style-type: none"> ✓ <u>Significant decrease</u> in cycle time of <u>30 -120 days!</u> ✓ More timely awards ✓ Improved customer service ✓ Less wasted lag time ✓ Better resource allocation ✓ More available hours for other City business 

New Signature Process



A Streamlined Signature process could save \$1.2 to \$3.6 Million.

Type of Action	# of Actions	Per Transaction				Total			
		Low Hours	High Hours	Low Cost	High Cost	Low Hours	High Hours	Low Cost	High Cost
As-Is Signature Process									
Contracts to City Council	380	56	112	\$ 3,471	\$ 6,943	21,280	42,560	\$ 1,319,320	\$ 2,638,641
Contracts not to City Council	871	40	80	\$ 2,412	\$ 4,825	34,840	69,680	\$ 2,101,505	\$ 4,203,010
Total	1,251					56,120	112,240	\$ 3,420,825	\$ 6,841,651
Streamlined Signature Process									
Contracts to City Council	380	28	48	\$ 1,122	\$ 1,789	10,640	18,240	\$ 426,415	\$ 680,018
Contracts not to City Council	871	20	32	\$ 2,035	\$ 2,848	17,420	27,872	\$ 1,772,541	\$ 2,481,190
Total	1,251					28,060	46,112	\$ 2,198,957	\$ 3,161,209
Savings						28,060	66,128	\$ 1,221,868	\$ 3,680,441

Without Contract Administration, the City does not know if it gets what it pays for.

The Problem: *No Contract Administration protocols*

- COA has not developed or implemented ***standardized contract administration protocols***.
- No standardized process for administration of poor performing or non-performing vendors for enterprise-wide reporting and tracking.
- The absence of a contract administration creates situations where user department personnel do not understand the full extent of their post-award duties and responsibilities and have little or no experience or knowledge acting as contract administrators.
- Without a ***contract administration process***, it is not possible to determine if the City gets what it pays for.

Contract Administration Process:

- Contract administration involves those activities performed by government officials after a contract has been awarded to determine how well the government and the contractor performed to meet the requirements of the contract.
- It encompasses all dealings between the government and the contractor from the time the contract is awarded until the work has been completed and accepted or the contract terminated, payment has been made, and disputes have been resolved.
- The specific nature and extent of contract administration varies from contract to contract. It can range from the minimum acceptance of a delivery and payment to the contractor to extensive involvement by program, audit, and procurement officials throughout the contract term.
- Factors influencing the degree of contract administration include the nature of the work, the type of contract, and the experience and commitment of the personnel involved.
- Contract administration starts with developing clear, concise performance-based statements of work and preparing a contract administration plan that cost effectively measures the contractor's performance and provides documentation to pay accordingly.

Best Practices in Contract Administration

Formal contract administration programs in other best practice governmental jurisdictions typically include policies, procedures and multi-faceted training relevant to all of the following topics:

<ul style="list-style-type: none">❑ Contract Types❑ Understanding Contract Terms and Conditions❑ Developing a Contract Administration Plan❑ Post-award Duties and Responsibilities❑ Knowing the Scope and Limitations of Authority❑ Issuing Instructions (Oral or Written) to a Contractor❑ Responding to Contract Issues❑ Anticipating Cost Overruns and Delays in Receiving Goods and Services	<ul style="list-style-type: none">❑ Addressing Contract Changes/Modifications❑ Alternative Dispute Resolution Techniques❑ Monitoring Vendor Performance❑ Establishing Vendor Performance Measures❑ Options❑ Contract Termination❑ Receipt and Acceptance of Goods/Services❑ Roles and Responsibilities Related to Reviewing and Processing Invoices❑ Contract Close-out❑ Replacement Contracts
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Best Practices in Contract Administration

- **The Office of Federal Procurement Policy (OFPP)** has identified the following "best practices" applicable to federal, state, and/or local governmental entities:
 - Establish a contracting officer's technical representative training and certification program
 - Develop and conduct courses in preparing statements of work.
 - A partnership between the user department's Technical Representative (TR) and the contracting officer is essential to establishing and achieving contract objectives. Consider developing a "joint partnership agreement" that is signed during the pre-award phase that defines how the parties will work together and contains milestones for the various actions to be taken by each party.
 - The TR should do everything possible to ensure that the contracting officer understands the program mission. The TR should consider inviting the contracting officer to accompany him/her to meetings, conferences, and inspections so that the contracting officer can become familiar with the program requirements and to afford other user department personnel an opportunity to meet and interact with the contracting officer.
 - The TR should know and understand his/her role and be provided with a written roster of specific duties and tasks, including tasks that should not be performed.

Best Practices in Contract Administration

Generally accepted TR contract administration responsibilities

- Developing a cost effective contract administration plan.
- Following the plan to monitor performance.
- Informing the contracting officer of any technical or contractual difficulties encountered during performance in a timely manner.
- Informing the contractor of failures to comply with technical requirements of the contract or to show a commitment to customer satisfaction, particularly if the contractor does not make corrections.
- Coordinating site entry for contractor personnel, if applicable.
- Evaluating proposals for and participating in negotiation of changes, modifications, all contract correspondence, inspections, records, memos and conversations with the contractor, invoices/vouchers and trip reports.
- Performing final inspection/acceptance of all final work required under the contract, including the review/approval of reports.

Activities TRs should avoid

- Awarding, agreeing to, modifying, increasing the scope and dollar value of, or signing any contract.
- Making commitments or promises (oral or written) to any contractor.
- Issuing instructions (oral or written) to a contractor to start or stop work.
- Directing changes (oral or written).
- Authorizing delivery or disposition of government-furnished property.
- Granting deviations from or waiving any of the terms and conditions of the contract.
- Changing the period of performance.
- Authorizing subcontracting or the use of consultants.
- Authorizing the use of overtime.
- Executing a contract on behalf of the government without proper-delegated authority to do so.

Best Practices in Contract Administration

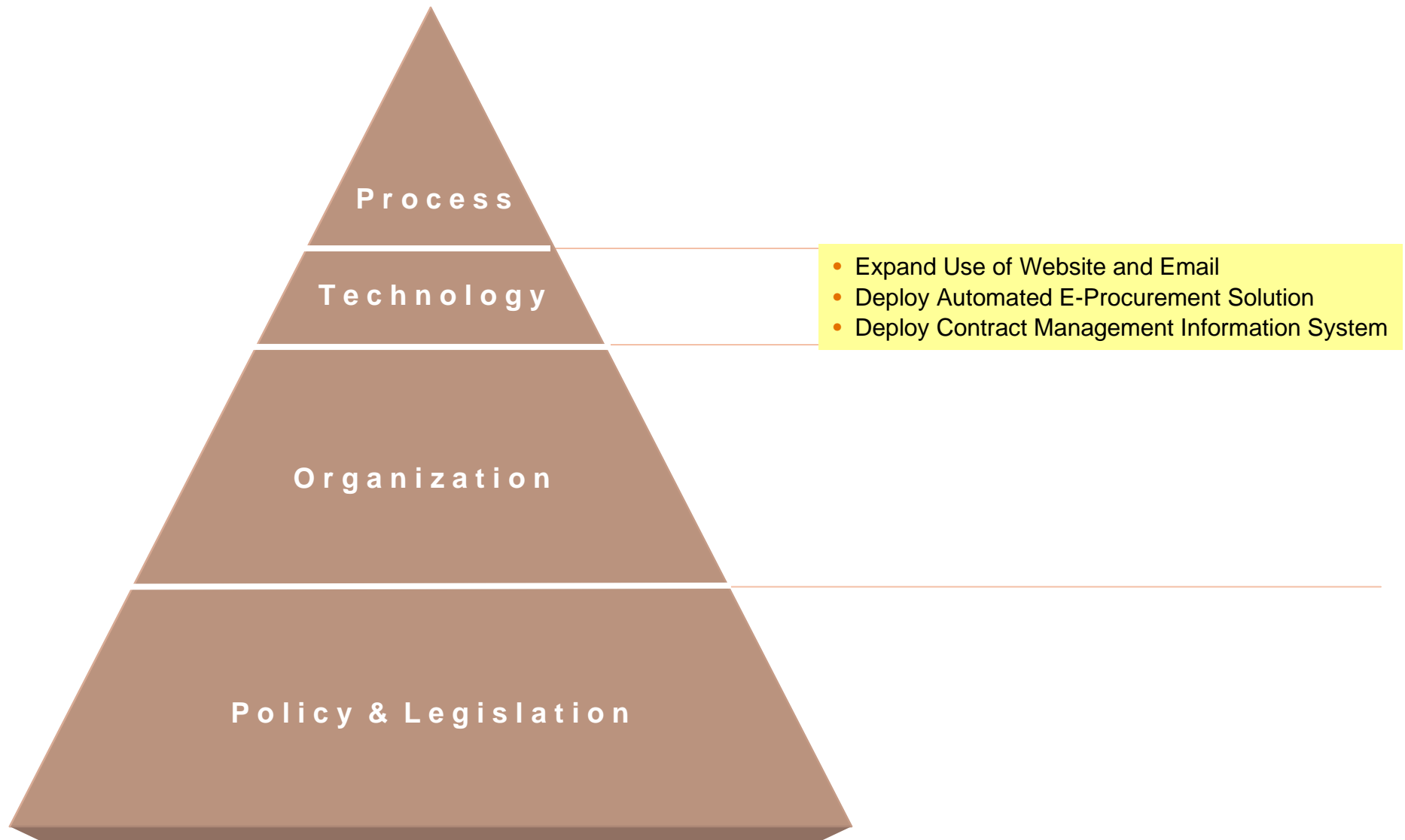
- **Metropolitan Atlanta Rapid Transit Authority (MARTA)** Office of Contracts and Procurement identified a need for contract administration training. With a decentralized administration, requesters found themselves with little or no experience or knowledge acting as contract administrators. Contracts and Procurement developed a training program and manual. The training course is offered on a quarterly basis and is open to anyone interested in contract administration. The class is conducted in an informal manner. Attendees are expected to participate and bring “real” problems and issues with them so guidance can be provided.

The training program provides instruction to novice administrators. The topics covered include: Authority contract types, Contract Administration, Post award Contract Administration, Contract Issues, Contract Changes/Modifications, Options, and Contract Close-Out. Cost savings are estimated to exceed \$100,000 per year.

Effective Contract Administration reduces risk to the City.

The Strategy:	The Costs:	The Benefits:
<ul style="list-style-type: none"> ▪ Develop, adopt, and disseminate formal contract administration <i>policies and procedures</i>. ▪ Define the parameters of an effective Contract Administration Program and provide training to user department personnel expected to serve as technical representatives. ▪ Establish a separate contract close-out function within the Contracts Division emphasizing contract close-out as an integral component of a sound contract administration program. 	<ul style="list-style-type: none"> ▪ Internal Personnel Resources ▪ \$100,000 - \$150,000 Consulting Costs 	<ul style="list-style-type: none"> ✓ Understand and know how to address the following risks: <ul style="list-style-type: none"> ▪ Financial ▪ Litigation ▪ Performance ▪ Compliance with Terms & Conditions ✓ Ensure contractor delivers agreed upon goods and services timely and within budget ✓ Up-front, customer-focused procurement planning and scheduling ✓ More effective coordination between user departments and purchasing to ensure project schedules are met ✓ Consistent review and approval by contracting officials and technical representatives ✓ Clear roles and responsibilities of purchasing and program officials regarding the review and approval of contractor invoices and vouchers

Road Map for Change: *"The great thing in this world is not so much where we are, but in what direction we are moving..."*
-Oliver Wendell Holmes



Best-in-Class purchasing organizations maximize communication.

The Problem: *Limited Use of Website and Email*

- The City of Atlanta advertises only notices of solicitations in print media and on its website. Staff time is spent copying, packaging, and/or mailing documents to potential bidders.

Best Practices in Utilization of Website and Email Capabilities:

- Seminole County and Baltimore County governments achieved significant savings associated with paper, postage, advertising costs, and labor by implementing the following best practices:
 - Solicitation download capability
 - On-line vendor registration process
 - Weekly email notifications of new solicitations to prospective bidders
 - Elimination of the need to mail or fax solicitations in response to suppliers that "cold call" to inquire about obtaining new solicitation information
 - No Charge to potential vendors for hard-copy solicitation packages

Best-in-Class purchasing organizations maximize communication.

The Strategy:	The Costs:	The Benefits:
Post PDF files of the entire solicitation, rather than the synopsis, on the website for download.	Internal Personnel Resources \$2000 for equipment and software	✓ Reduce the amount of time spent copying, packaging, and/or mailing of documents
Post amendments and responses from bidder conferences.		✓ Reduce archiving costs, since documents can be stored electronically
For solicitations containing blue prints or other technical documents, post solicitation with instructions that the supporting documents can be obtained from the Bid Planning Room.		✓ Reduce number of vendor inquiries, thus freeing staff for other tasks ✓ Reduce cycle times ✓ Level the playing field for small vendors by eliminating charges for solicitation documents

The lack of enabling technology prevents the City from realizing the cost savings and efficiency gains.

The Problem: *No automated procurement capability*

- The COA lacks enabling technologies necessary for establishing a dynamic procurement process.
- The current processes are highly manual and are not facilitated by any management level information.
- No automated e-procurement tools are used consistently citywide.

Standard
Templates
or Central
SOW
Repository

Control
Maverick
Purchasing

Electronic
Catalogs

Electronic
Contracts

Expiring
Contract
Alerts

Automated
Random
Vendor
Solicitation

Shorten
Purchase
Cycle Time

Automatic
Approval
Routing

Electronic
Signature

Mgmt
Reporting

Project
Status
Tracking

Electronic
Payments

E-procurement simplifies processes, boosts efficiency, and reduces costs.

Best Practices in E-Procurement:

- E-procurement creates a web-based, self-service environment that pushes product selection and buying to the desktops of frontline employees (within user departments) - while maintaining internal control requirements, workflow, and centralized oversight.

E-procurement is "the most direct and effective way for an organization (governmental or private sector) to leverage the Internet to reduce costs, improve productivity, and enhance revenue opportunities." The effective application of e-procurement "automates and dramatically streamlines the acquisition, management, and control of goods and services, which are a large and very often poorly controlled expense."

-The Aberdeen Group

E-procurement simplifies processes, boosts efficiency, and reduces costs.

Best Practices in Public Sector E-Procurement:

- The **State of California's** innovative new electronic procurement system - **Cal-Buy**
 - Buyers have one-touch access to 6000 products sold by 290 suppliers.
 - Several thousand more products and hundreds of additional suppliers scheduled to be added in 2003.
 - Eliminated the State's need to maintain paper catalogs.
 - Buyers can search for needed products and review terms, conditions, prices, and vendor information in **minutes** rather than **days**.
 - Buyers may track purchase orders **24/7**.
 - No longer require "wet" signatures on electronic purchase orders.
 - Buying activity across state agencies is "finally trackable," allowing for employment of strategic sourcing strategies like aggregated buying and expanded use of Blanket Contracts and annual state-wide contracts.
 - Cost saving expectations will be adjusted upward on a continual basis as the number of items available for purchase on Cal-Buy increase.
 - Administrative expenses, personnel costs, contract award cycle times and purchasing headcount figures are all expected to fall as the system is made available to more user agencies.

CAL-BUY Early Successes

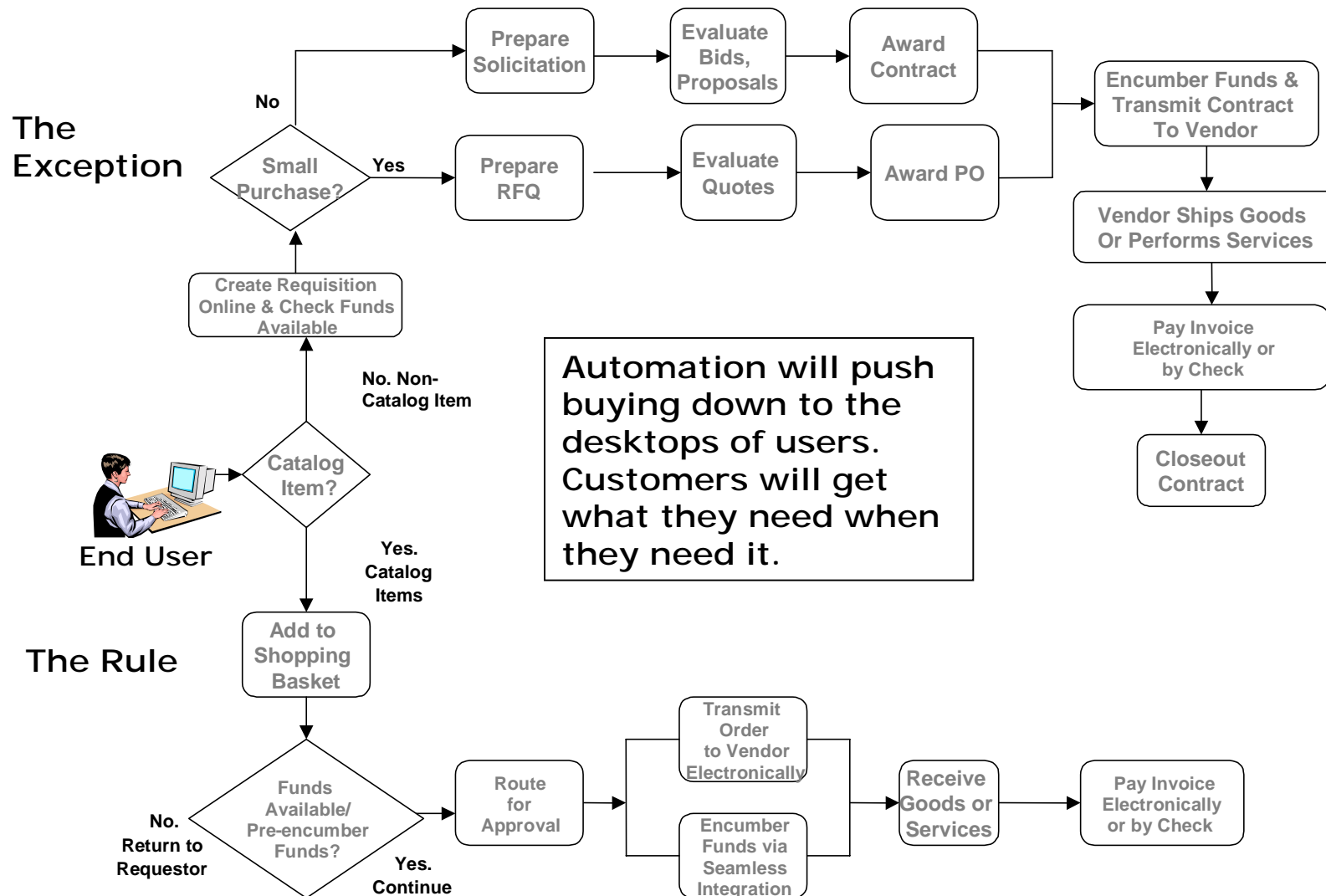
- ★ Buyers have one-touch access to 6000 products sold by 290 suppliers.
- ★ Nearly half (47%) of the purchases made through Cal-Buy have been with state-certified small businesses - exceeding the state's mandated objective by 22%!
- ★ More than **\$30 million annual savings** through contract and purchasing negotiations improvements with only **2%** of users online so far.
- ★ At least **\$10 million** in annual process savings.

E-procurement simplifies processes, boosts efficiency, and reduces costs.

Best Practice Successes in Private Sector E-Procurement:

- **Mercedes-Benz** reduced purchasing department staff by 20% through automation.
- **SAP AG** avoided increases in purchasing department headcount, even with company expansion. The number of items ordered increased 161% without additional staff needed.
- Other private-sector companies able to reduce purchasing department headcount and payroll after adopting e-procurement solutions include **Unilever Corporation** and **TRW Aeronautical Systems**.

E-procurement simplifies processes, boosts efficiency, and reduces costs.



E-procurement will enable the City to realize significant cost savings and efficiency gains.

The Strategy:	The Costs:	The Benefits:
Implement an e-procurement solution based upon the COA's functional requirements and funding model.	\$1 – 1.4 million System Costs	✓ Restores integrity and transparency to the purchasing process.
	\$1 – 2 million Consulting Costs	✓ Makes the purchasing process more customer-centric.
		✓ 5 –10% reduction in prices paid for maintenance, repair, and operating goods and services.
		✓ Shorter time required to process a purchase order by 50-70%.
	\$2 – 3.4 Million Total Costs	✓ Reduce requisition processing costs by 70% per order.
		✓ Reduce maverick "off contract" spending by 50%.
		✓ 25 – 50% reductions in inventory costs.
		✓ Reduce data errors by 80-90%.

E-procurement could save \$2 million in annual processing costs.

$$\frac{(\$74 \text{ saved per transaction} \times \text{Number of Procurement Transactions})}{50\%} = \text{Anticipated Savings}^1$$

Method	Number of Transactions	Anticipated Savings
Field Purchase Orders	52,311	\$1,935,507
Blanket Purchase Orders	1,283	\$47,471
Procurements	2,014	\$74,518
Totals	55,608	\$2,057,496

¹ A March 2001 study by the Aberdeen Group estimated that the cost to prepare and process a manual purchase order was \$107 versus \$33 for an electronic purchase order (an estimated savings of \$74 for each order placed electronically).

Strategic Sourcing, coupled with a powerful e-procurement tool, can help the City capture significant cost savings.

TOTAL REALIZABLE SAVINGS: \$19 - 45 Million

Method	Most Frequently Purchased Goods & Services	FY2001 Amounts	# of Transactions	Low Reduction Goal %	High Reduction Goal %	Low Reduction Amount	High Reduction Amount
Field Purchase Orders	Air Conditioners; Commercial Parts; Accessories; Uniforms; General Office Supplies	\$ 15,916,525	52,311	10%	20%	\$ 1,591,652	\$ 3,183,305
Blanket Purchase Orders	Copying Machines; Uniforms; Electrical Equipment; Materials & Supplies	\$ 28,861,487	1,483	5%	10%	\$ 1,443,074	\$ 2,886,148
Procurements	Escalator Maintenance & Repair; General Contractor Services; Commercial Alteration & Renovation	\$ 38,414,776	2,014	10%	15%	\$ 3,841,477	\$ 5,762,216
Top 13 Contract activities	Consulting, Accounting, & Accounting Services; Engineering Services; Commercial Alteration & Renovation	\$418,052,203	850	3%	8%	\$ 12,541,566	\$ 33,444,176
TOTAL		\$ 501,244,993	56,658			\$ 19,417,770	\$ 45,275,846

The COA must define the functional requirements needed and select the appropriate software vendor.

Functional Requirements	Short-List of Vendors
<ul style="list-style-type: none"> • Ease of Use. • Search across suppliers, locate products, select the desired product, and purchase electronically through electronic catalogs. • Ability to customize presentations specifically to users . • Integration capability with existing financial management systems for payment processing and fund encumbrance. • Automatically check that funds are available. • Automatically create POs Reporting capability to allow authorized users • to view purchasing information. • Allow for monitoring and control of • what is being spent, on what, with whom. • Ability to have buyers check on the status of a purchase at any time in the process. • Provide real-time information to users of most up-to-date vendor product and pricing information. 	<ul style="list-style-type: none"> • Compusearch is a recognized pioneer in electronic commerce and contract management. It's Virtual Procurement Office (VPO) provides a full service ("paperless") procurement/electronic commerce system: <ol style="list-style-type: none"> 1. PRISM: Complete processing and contract management system 2. FARA: Solicitation and Contract document development 3. EC Web: Interactive buyer & seller on-line marketplace • Clarus and Deloitte & Touche have teamed to develop an e-procurement offering that integrates procurement technology, business strategy, and implementation methodologies. • Ariba "Source Track" Technology accelerates the adoption of e-procurement by delivering market-leading technology as an affordable, rapidly deployable, and secure web-hosted procurement service. • Commerce One Buy 5.0 consists of 6 primary functional modules that are available independently to customers on an as-needed bases. Implementation plans can be tailored to satisfy the needs, budgets, and deployment timelines of individual customers.

The COA must choose the appropriate funding model for its e-procurement solution.

Sample Funding Models

Ranked (top to bottom) in order of applicability to COA.

Traditional (Government Pay)	All costs would be paid by the City, including licensing and implementation costs.
Multi-Jurisdictional Collaborative	The states of Colorado and Utah are currently cooperatively pursuing the implementation of a single e-procurement system in order to aggregate potential “spend” through the system and make it more attractive to world-class companies. The State of Georgia is in the process of evaluating its current procurement organization, buying strategies, staffing levels, operational efficiency, and utilization of enabling technology tools. The COA should follow the progress of this State-sponsored initiative and initiate a dialogue with the State to possibly develop a collaborative e-procurement solution.
Hybrid (Buyer-Vendor-Government) Pay	The State of Washington selected Ariba/AMS as its e-procurement solution provider and systems integrator. AMS Buysense developed significant customizations to meet the functional requirements imposed by the state. The State made periodic payments to the developer during the configuration and customization phase. Suppliers pay a 50 basis point fee per transaction and buyers pay \$4.25 for each PO generated by the state buyer in the system.
End User Pay	The Houston-Galveston Area Council (HGAC) selected Bank of America/NIC Commerce as its e-procurement solution provider and systems integrator. To pay for the software, implementation, and maintenance costs, HGAC charges a fee to the program area and participating jurisdiction end users who use the automated system to purchase goods and services.
100% Vendor Pay	None of the firms surveyed by the Team embrace or are willing to seriously consider offering their solutions to government clients under a 100% vendor pay funding model. The model requires excessively large transaction volumes in order to generate a reasonable profit for the developer. The model is no longer a viable funding option, as companies are unwilling to assume the associated risks.

CMIS - The Next Level of Technology

E-Procurement Solution

- Automates field purchase orders, repetitive small purchases, access and purchase off of blanket purchase agreements, and pushes buying directly to frontline employees.
- Permits Procurement Division professionals to devote work effort to developing strategic sourcing strategies.

Contract Management Information System (CMIS)

- Manages contract development, contract award, and contract administration for purchasing professionals.

"IT'S TIME TO MANAGE THOSE CONTRACTS!"

The Problem: *No Contract Management Information System (CMIS)*

- The City has no access to an *automated contract management information system (CMIS)*.
- The contract development process is manual, cumbersome, and time consuming.
- People cannot be held accountable if performance measures and standard practices cannot be tracked.
- Bottlenecks cannot be quickly identified and resolved because of the City's inability to effectively manage contracting actions.

Best Practice CMIS Functional Requirements:

- Status tracking
- Email notification (for expiring contracts)
- Vendor performance file
- Manage subtasks and milestones within each contract
- Attach scanned images, spreadsheets, Word documents, etc.
- Automated workflow
- Integrated calendaring
- Electronic signatures
- Departmental or Individual security safeguards
- Full text searching
- User defined templates
- Set key dates within each contract
- Assign contracts from one employee to another
- Link contracts together
- Track contracts according to standard codes
- Track contract's physical location

"IT'S TIME TO MANAGE THOSE CONTRACTS!"

Best Practices in Contract Management Information Systems:

- The **Boeing Company** has implemented AMS's e-business solution to contract management. The software provides Boeing with a flexible, scalable solution for complex contract management in support of their diverse customer base.
- The AMS's contract management module expands upon the functionality of the application's procurement module and is designed to seamlessly integrate with multiple financial management software packages.

Automating contract management duties and responsibilities is a best practice very much worth pursuing. Some of the potential benefits include:

- ✓ *Accelerate negotiation cycles by 50%*
- ✓ *Drastically reduce the amount of paper floating back and forth between buyers and suppliers*
- ✓ *Cut operating costs associated with managing complex contracts by 10-30%*
- ✓ *Reduce contract personnel headcount by 10-20%*

- Goldman Sachs, "Time to Manage Those Contracts!"

"IT'S TIME TO MANAGE THOSE CONTRACTS!"

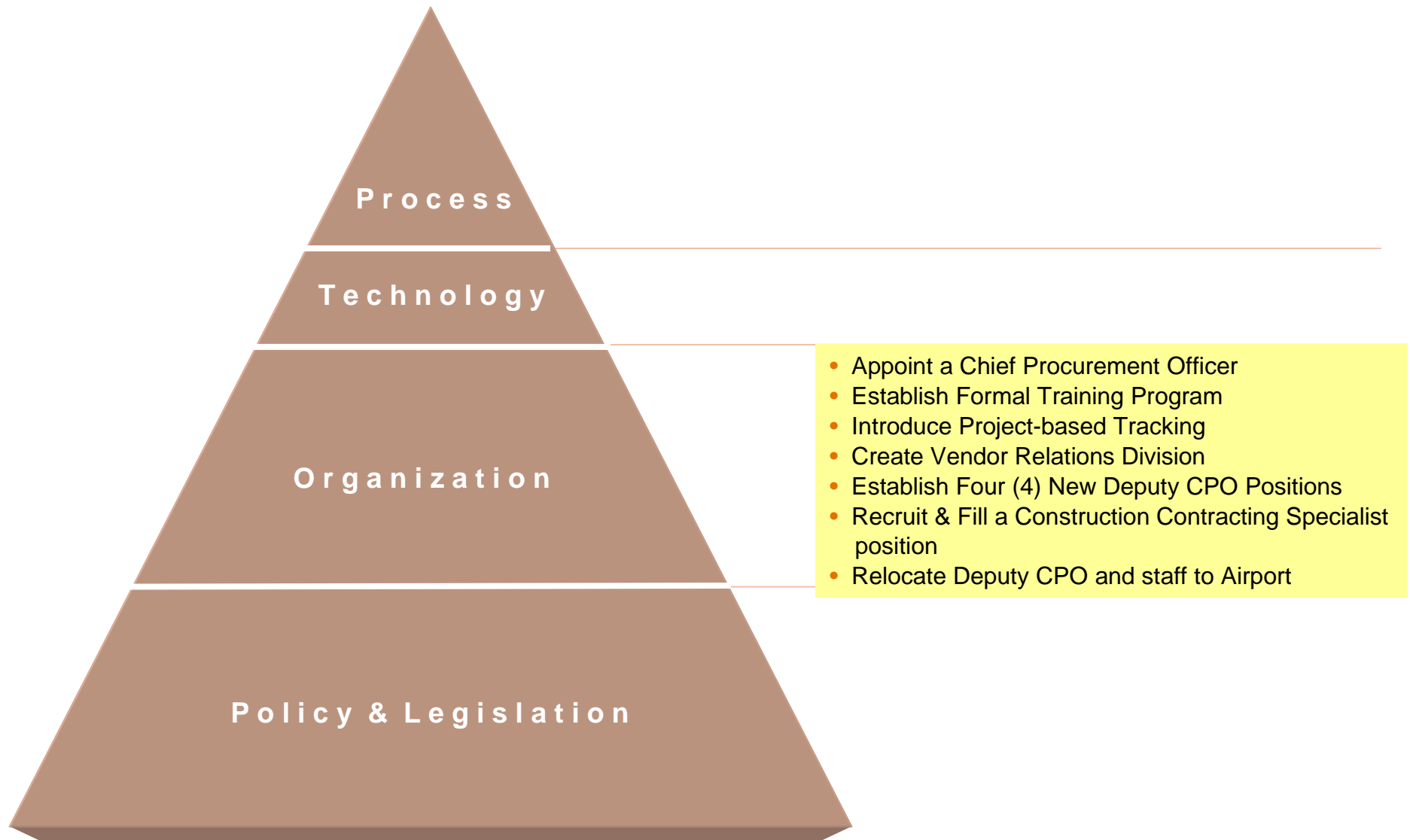
The Strategy:	The Costs:	The Benefits:
<ul style="list-style-type: none"> Once COA implements process improvements, consider acquiring and implementing a fully automated <i>contract management solution</i> that would compliment and enhance the City's chosen e-procurement solution. 	<ul style="list-style-type: none"> \$1 – \$1.5 Million system costs \$1.5 Million consultant services \$500,000 - \$1 Million Database and Licenses <p>Total Costs: \$3-\$4 Million</p>	<ul style="list-style-type: none"> ✓ Reduce time and improve efficiency in the contracting process ✓ Improve information related to contracts and the activities governed by those contracts – and more of it ✓ Vendor performance tracking will stop the City from using poor performers repeatedly ✓ Maximize realization of cost savings potential by maximizing the contract through event management and performance and compliance monitoring ✓ Improve relationships with other stakeholders, including customers and suppliers ✓ Maximize buying power through better managed contracts – <i>strategic sourcing benefits</i> ✓ Centralize training materials and documentation ✓ Early warnings for contract expirations ✓ Calendar of contract related activities ✓ Easy reporting ✓ No more paying for expired contracts ✓ Give Vendors the ability to upload their contracts and contract requests ✓ Cut mailing costs ✓ Cut costs associated with Contract related meetings

A CMIS will streamline and speed up the award cycle, improve contract administration capabilities, and facilitate vendor payment.

Pre-Solicitation	Solicitation	Solicitation Response	Evaluation	Legislation	Award	Post Award
<ul style="list-style-type: none"> Contracting Officer and User Department engage in Advance Acquisition Planning activities (Establish milestones, analyze potential sources of supply, review history) - Eliminates Surprises Requisitioner creates requisition online by selecting from all available sources of supply and creates specification from LAN specifications repository System automatically pre-encumbers funds and routes for reviews and approvals - Ensures Internal Controls and Accountability Contracting Officer creates solicitation using predefined system library of solicitation term and conditions - Ensures Integrity 	<ul style="list-style-type: none"> Contracting Officer publishes solicitation to the Web and registered vendors automatically receive e-mail notifications and hyperlinks to solicitation Contracting Officer uses system to create vendor list online Contracting Officer uses system to electronically route solicitation for review/ approval - Efficiency Gain 	<ul style="list-style-type: none"> If required, solicitation documents can be distributed electronically via email or facsimile, or hard copy via standard postal service delivery Registered vendors can search, view and bid on all solicitations published via the web - Improved customer focus Electronically submitted bids/proposals will be held in electronic "Lock Box" until the date and time of the solicitation's scheduled close. The bids/ proposals may be modified or withdrawn by vendor until scheduled close - Ensure Integrity of the bid process Once solicitation closes, bids/ proposals will be made available to the appropriate Contracting Officer for evaluation 	<ul style="list-style-type: none"> System tabulates electronically submitted bids/ proposals - Ensures Transparency If required by business rules, proposals are provided to Technical Evaluation Team (TET) and other reviewers electronically for evaluation If TET is used, system compiles TET evaluations, assesses vendor's responses to evaluation criteria and provides a spreadsheet of the lowest price by item and by vendor If oral interviews are deemed necessary, Contracting Officer negotiates with the top proponents per business rules 	<ul style="list-style-type: none"> If procurement value is > \$1 Million, Contracting Officer prepares Legislation/ Resolution Council and Mayor approve Legislation and Clerk attests 	<ul style="list-style-type: none"> Contracting Officer simultaneously routes email "notification" to reviewers per business rules with five days to raise red flag - Transparency and Efficiency Contracting Officer routes hard copy for electronic signature approval. Original of contract to Finance, Law, CPO and Mayor, if necessary Contracting Officer routes signed contract to Clerk for attesting signature Contracting Officer distributes notice to proceed electronically and distributes contract per business rules 	<ul style="list-style-type: none"> System matches goods/services receipt to outstanding POs and tracks partial orders and overages System supports ongoing evaluation of vendor performance as measured against the contract's terms and conditions - Maximize value the City receives on spending System maintains and tracks bonds retainage, liquidated damages, insurance, warranties, subcontractor participation, renewals and terminations Contracting Officer posts award to the Web for public view - Transparency

Road Map for Change: *"The great thing in this world is not so much where we are, but in what direction we are moving..."*

-Oliver Wendell Holmes



The purchasing organization lacks strong executive leadership.

The Problem: *No Executive Leadership*

- The purchasing organization lacks strong executive leadership to initiate reforms or successfully revamp procurement strategy.
- The purchasing organization has neither the authority nor the structure to hold departments accountable for key steps in the procurement process.
- Due to budget and resource restrictions, user departments are poorly trained in developing solicitations and scopes of work. They do not understand their role in the vendor evaluation process. They do not understand how to administer or manage contracts in the post-award phase. They are unclear on receipt and acceptance standards and requirements. They are not held accountable when they ignore BPRE timelines. Evidence suggests that user departments are engaged in maverick buying to circumvent the official process.
- Necessary organizational changes can only be accomplished through a strong, visionary leader empowered to institute changes.

The purchasing organizational structure is the enabler through which efficient purchasing processes and practices are realized, communicated, and refined as needed.

Best Practices Purchasing Organizational Structure:

- **Loudon County, Virginia**, the third fastest growing county in the nation, adopted a Delegated Purchasing Authority Policy to address the mounting demands being placed on its purchasing organization. Under the policy, “out-stationed” buyers were vested with both the responsibility and authority to execute transactions on behalf of the county.

As a result, Loudon County has been able to reallocate purchasing staff to focus on developing contracts that better meet the needs of the county.

- The **District of Columbia** reorganized and reengineered its purchasing operations, transforming the City’s processes from highly decentralized to a centralized structure with “out-stationed” Agency Chief Contracting Officers with delegated purchasing authority.

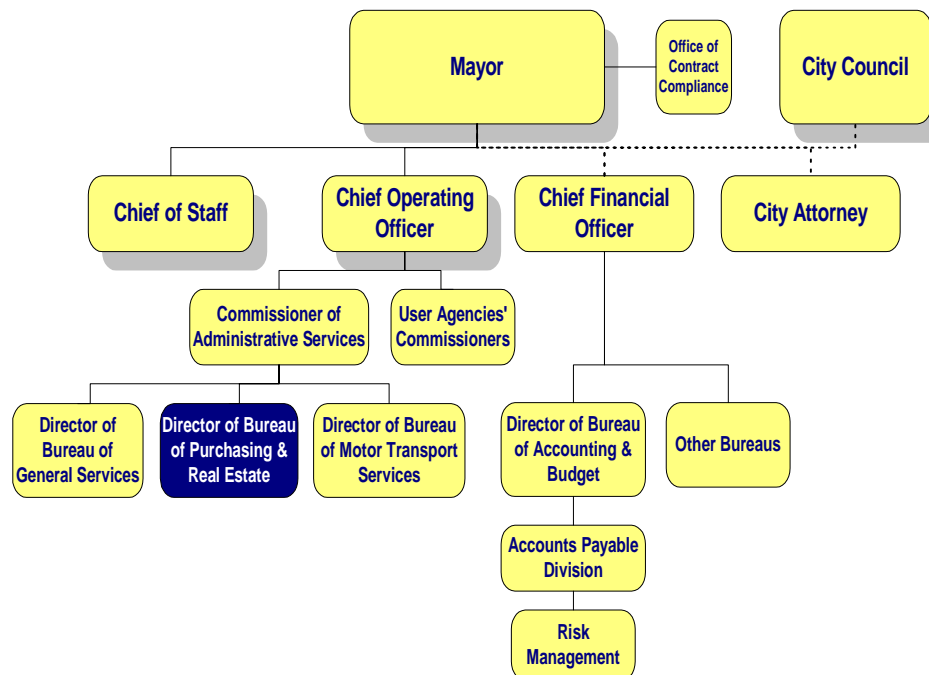
The District’s Office of Contracting and Procurement is led by a strong Chief Procurement Officer (CPO), who is supported by a cadre of Deputy CPOs who share the CPO’s vision, goals, and mission critical objectives.

The right organizational structure is essential for implementing leading edge procurement strategies.

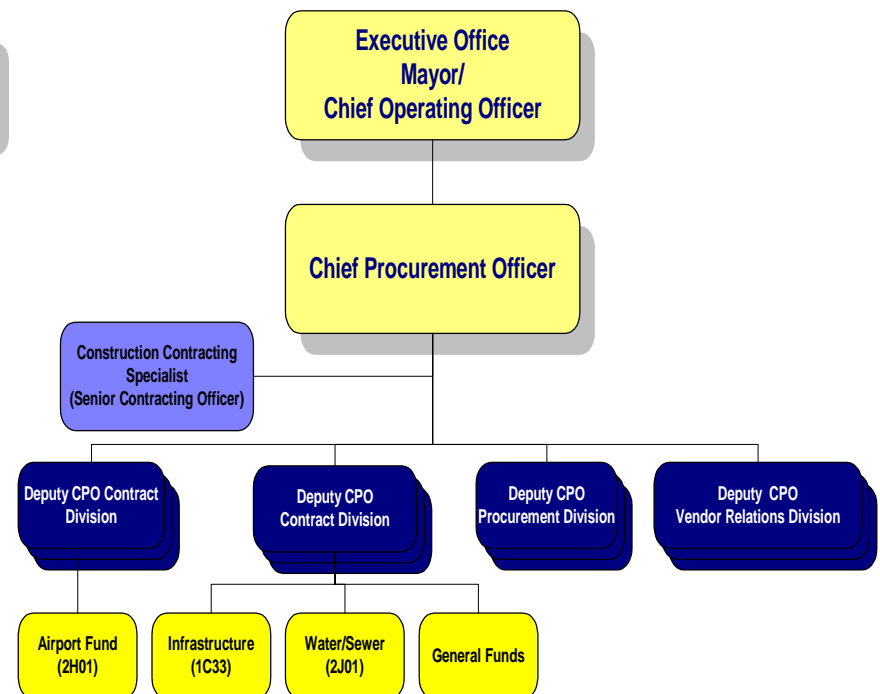
The Strategy:	The Costs:	The Benefits:
<ul style="list-style-type: none"> Implement a new Chief Procurement Officer position and recruit to fill. 	\$125,000 salary \$32,000 fringe (26%) \$157,500 subtotal	<ul style="list-style-type: none"> ✓ CPO is able to both manage and lead. ✓ A strong CPO maximizes the benefits inherent in a centralized purchasing operation and develops improved strategic sourcing options to better meet the buying needs of the organization. ✓ CPO has authority coupled with responsibility. ✓ CPO is an executive-level decision maker with the capacity to initiate substantive organizational change ✓ Empowered Deputy CPOs are the front-line managers charged with implementing the CPO's vision and strategic decisions. They add depth and experience to the purchasing organization.
<ul style="list-style-type: none"> Implement four (4) new Deputy or Assistant Chief Procurement Officer positions and recruit to fill. 	\$420,000 salaries \$109,200 fringe (26%) \$529,200 subtotal	
<ul style="list-style-type: none"> Recruit and hire Construction Contracting Specialist to serve as a subject matter expert for the Department of Aviation, Water/Sewer Consent Decree, and complex construction contracting needs. 	\$90,000 salary \$23,400 fringe (26%) \$113,400 subtotal	
<ul style="list-style-type: none"> Physically relocate a Deputy CPO and staff to the airport. 	None. Assumes office space and equipment will be available from existing inventory. \$800,100 Total	

Elevate purchasing to the cabinet level.

As Is Organizational Structure



To Be Organizational Structure



What your leaders need...

Position	Skills	Degree/Certification	Estimated Salary & Fringe
CPO	<ul style="list-style-type: none"> ❑ A seasoned procurement veteran with at least 5 years prior experience as a Chief Procurement Officer or Deputy Chief Procurement Officer ❑ Significant background in operations, marketing, or engineering preferred 	<ul style="list-style-type: none"> ❑ Bachelor's degree (B.A.) from four-year college or university, preferably in business administration, public administration, or marketing ❑ Master's degree in Business Administration or other relevant degree preferred ❑ NIGP or Certified Purchasing Manger (CPM) Certification 	<p>\$125,000 salary \$32,000 fringe (26%) \$157,500 Total</p>
Deputy CPO	<ul style="list-style-type: none"> ❑ Minimum of 7 years of public sector or large corporate procurement-related experience ❑ Leadership and personnel management skills ❑ Teamwork oriented 	<ul style="list-style-type: none"> ❑ Bachelor's degree (BA) from four-year college or university, preferably in business administration or marketing ❑ NIGP or Certified Purchasing Manger (CPM) Certification 	<p>\$420,000 salaries \$109,200 fringe (26%) \$529,200 Total</p>
Senior Contracting Officer – Construction	<ul style="list-style-type: none"> ❑ At least 5 years of procurement-related experience dealing with construction projects. ❑ Ability to read and interpret drawings and specifications ❑ Negotiation skills for price and contracts ❑ Knowledge of State and FAR procurement regulations. 	<ul style="list-style-type: none"> ❑ Bachelor's degree (BA) from four-year college or university in engineering, business, or logistics, or other relevant degree. ❑ NIGP or CPM certification 	<p>\$90,000 salary \$23,400 fringe (26%) \$113,400 Total</p>

A professional purchasing organization should have a well-trained and certified/credentialed workforce.

The Problem: No Formal Training Program

- **Professional Certifications** are not required or supported by COA management.
- COA does not pay for contracting and procurement professionals to sit for professional certification exams. This is a destructive management practice that limits career mobility and stunts intellectual growth.
- Limited formal training within BPRE, primarily due to lack of funds.
- No formal training policy, training budget, or training plan exists.
- BPRE professional staff lack professional certifications.
- The City faces the following risks:
 - ➡ Potentially improper execution of purchasing and procurement functions resulting in costly error, confusion in contract execution, potential protests, and exposure to possible financial risks
 - ➡ Increased cost of purchasing transactions due to the use of inefficient purchasing techniques
 - ➡ Inability to identify and utilize cutting-edge purchasing strategies, etc.

Best Practices in Training & Career Development

- Best practices and Benchmarks in effective purchasing organizations feature several key prominent components. They include:
 - ➡ An Effective Training and Professional Development Program
 - ➡ Professional Certifications are required to assure a professionally run purchasing organization
 - ➡ Training and certification are not fungible

Procuring goods and services at the best value for the City requires a well-trained purchasing staff knowledgeable in purchasing strategies.

The Strategy:	The Costs:	The Benefits:
Establish a formal training program that includes a policy articulating the objectives of the City's purchasing program and identifies purchasing functions.	NIGP Training: \$36,000 (includes certification fees)	<ul style="list-style-type: none"> ✓ Provide a blueprint for the professional growth of the purchasing staff ✓ Improve the efficiency and cost effectiveness of the City's purchasing ✓ Minimize costly errors and mistakes ✓ Improve morale and self-confidence in the workforce ✓ Increase end user and public confidence in the City's services.
Create a training plan that provides a standardized, consistent, and formal structure for the professional development of the purchasing employee.		
Create a budget sufficient to address the training and professional development needs of the purchasing organization.		

BPRE's staff is well educated, well paid, and has significant on-the-job work experience.

Among the senior level officials (Purchasing Director, Assistant Directors, Senior and other Contracting Officers), 33 percent hold Masters Degrees and each of the remaining members hold Bachelor's or Associate Degrees.

Job Title	Average Education Level Completed COA			NAPM Membership ¹			Tenure	
	HS & Some College	Bachelor	Graduate Degree	HS & Some College	Bachelor	Graduate Degree	BPRE	National Average
Purchasing Director/ Assistant Purchasing Director		50%	50%	14%	32%	40%	10.7 years	9 years ²
Contracting Officers/Purchasing Agent	29%	43%	29%	35%	38%	15%	10.7 years	
Buyers	80%	20%	none	36%	39%	14%	19.4 years	

¹National Association of Purchasing Management (NAPM)

²Source: *Purchasing Magazine* 1997 Survey of purchasing professionals

Among the BPRE staff, professional certifications were held by far fewer persons than most large municipal governments.

As a result of a survey of the BPRE workforce, the Team found that only one employee, a senior contracting officer, held a nationally recognized certification.

Job Title		Average Training dollars/ employee Annually		Certifications							
COA	Best Practices	COA ¹	Best Practices ²	COA				Best Practices			
Purchasing Director/ Assistant Director	Purchasing Administrators	\$0	\$500 per year	CPPB ³	CPPO ⁴	CPM ⁵	APP ⁶	CPPB	CPPO	CPM	APP
Contracting Officers	Buyers			0%	0%	0%	0%	20%	14%	32%	6%
Buyer's Assistants/ Contract Technicians/ Clerks	Para-professionals			0%	0%	0%	0%	9%	0%	0%	2%

¹ City of Atlanta

² Source: August 15, 2001 Center for Advanced Purchasing Studies, "Purchasing Performance Benchmarking Study for Municipal Government."

³ Certified Professional Public Buyer (CPPB)

⁴ Certified Public Purchasing Officer (CPPO)

⁵ Certified Purchasing Manager (CPM)

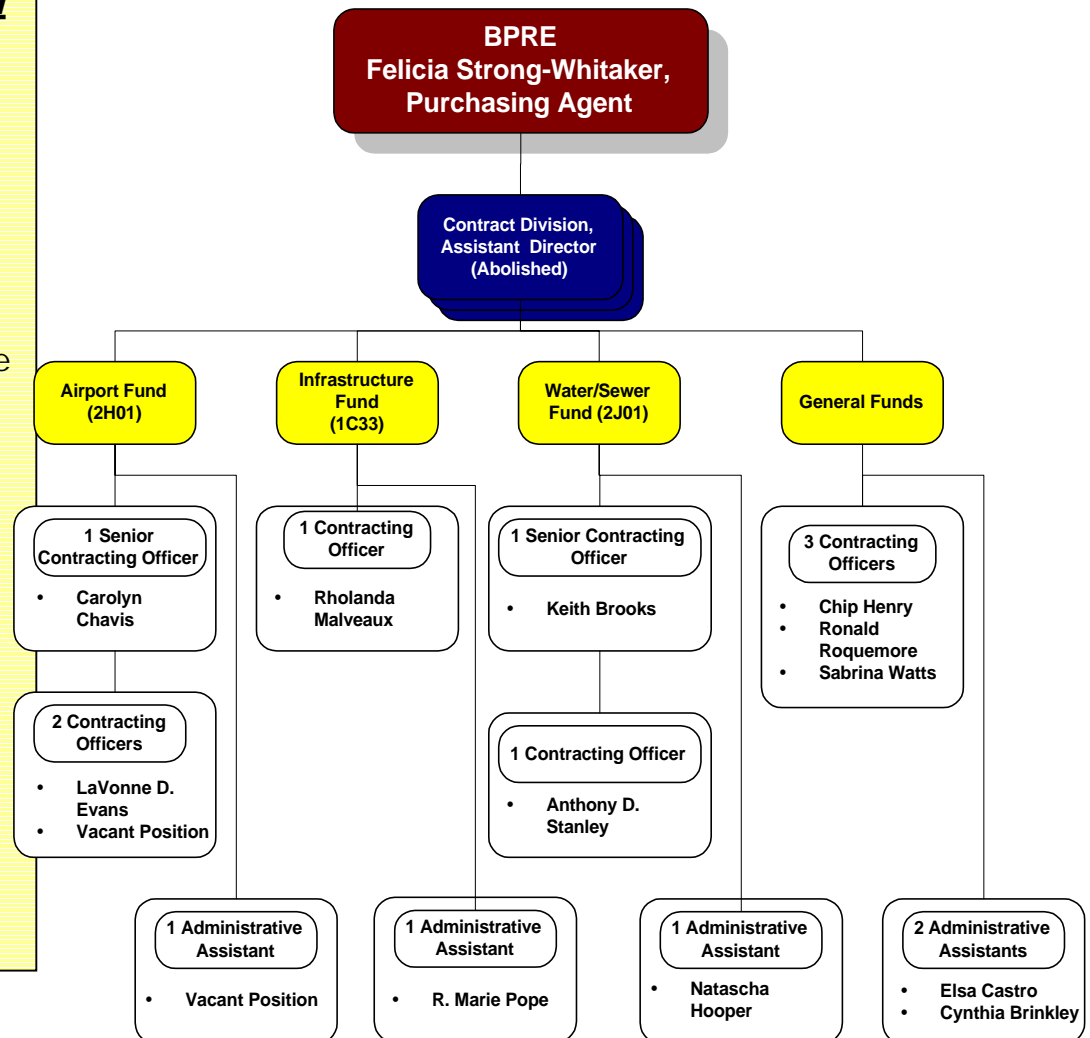
⁶ Accredited Purchasing Practitioner (APP)

In a Best-in-Class Organization, resources are effectively deployed when and where they are most needed.

The Problem: No Project-based Tracking

- One-third of the Contract Division professionals are dedicated 100% to specific enterprise fund activities. Therefore, *people are controlled, not results*.
- The current methodology for funding these positions requires BPRE to dedicate Contract Division personnel 100% to a specific department or projects that pay for those positions. In the past, city employees performing services for other departments charged their time back to that department. This methodology allowed BPRE to better allocate resources where they were needed.
- Evidence suggest that resource allocation restrictions result in widely varying workloads among BPRE Contract Division staff.

Current State:



In a Best-in-Class Organization, resources are effectively deployed when and where they are most needed.

The Strategy:	The Costs:	The Benefits:
<ul style="list-style-type: none"> ▪ Make sure purchasing staff are appropriately deployed and utilized by tracking time based on workload. ▪ Funding for enterprise resources should be based on estimated FTE requirements and outcomes – not specific personnel. 	<p>None. Assumes past capabilities are still resident.</p>	<ul style="list-style-type: none"> ✓ Allows resources to be deployed where they are needed, when they are needed ✓ Allows the allocation of resources in the most efficient way ✓ Eliminate inefficient workload disparities ✓ Improve morale by facilitating team building

The COA does not strategically manage its vendor relations to maximize value.

The Problem: *No “Cradle to Grave” approach towards developing, managing, and monitoring vendor relations.*

- No policies, procedures, or protocols for post-award duties and responsibilities - **Contract Administration** (vendor, user department, user department's technical representative, contracting officer, Finance Department and Accounts Payable, and Office of Contract Compliance).
- The COA does not strategically manage its vendor relations to maximize value.
- Vendors are confused about the contracting process.
- Vendors do not understand Equal Business Opportunity (EBO) program requirements.
- Some vendors feel that the City does not provide them with fair opportunities to do business with the City.
- Other vendors are unwilling to do business with the City due to excessive delays in awarding contracts and/or paying invoices once goods and services have been rendered.
- The current perception within the COA is that the city pays a premium for goods and services it orders.
- Vendor performance is not tracked. As a result, vendor debarment exists in practice, but not in reality.
- Inaccurate vendor information due to inappropriate controls over the management of the vendor database.

Twice the effort does not equal twice the value.

- BPRE and OCC for the most part currently work on the SAME Tasks , but without common goals or shared objectives.

BPRE

- Oversee Local Business Program
- Collecting Vendor Data
- Maintaining Vendor Information
- Responding to Vendor Inquiries (Regarding how to do business)
- Receiving Vendor Performance Data
- Sharing Vendor Data with other user departments
- Attempting vendor outreach
- Ethical obligation to ensure open, honest, and fair competition

BPRE and OCC for the most part, currently work on the SAME tasks with:

- No Seamless Collaboration
- No Unified Public Policy Objectives
- No Shared Understanding
- No Consistent Methodology
- No Cohesive Strategy

OCC

- Oversee EBO and EEO Program
- Collecting Vendor Data
- Maintaining Vendor Information
- Responding to Vendor Inquiries (Regarding how to do business)
- Receiving Vendor Performance Data
- Sharing Vendor Data with other user departments
- Attempting vendor outreach
- Ethical obligation to ensure open, honest, and fair competition

Best practice organizations effectively manage their vendors.

Best practices in vendor relations:

Best practices in vendor relations focus on several objectives:

- Expanding the vendor base by making opportunities more available to vendors through better communication.
- Vendor registration and certification programs to ensure that vendor information is consistently gathered and tracked.
- Outreach programs to ensure that small, local, and disadvantaged vendors are actively engaged.

Best practice organizations effectively manage their vendors.

Organizations that have successfully automated management of their diversity initiatives for identifying and connecting with and enabling diversity suppliers include:

Public Sector	Private Sector
<ul style="list-style-type: none">• City of Phoenix, Arizona• City of Pasadena, California• City of Seattle, Washington• City of Fort Lauderdale, Florida• Loudon County, VA• Ohio Department of Administrative Services• The New York Metropolitan Transit Authority• The New York Port Authority• U.S. Military Academy at West Point	<ul style="list-style-type: none">• Pfizer Corporation• Johnson and Johnson• Lever Brothers• Xerox• General Motors Corporation• Boeing

Purchasing and Vendor Relations will work TOGETHER seamlessly

The Strategy: Create a Vendor Relations Division within the purchasing organization to facilitate a unified approach to managing vendor outreach, relationships, compliance, contract administration, and information collection and maintenance. The new Division will encompass all of the current responsibilities of OCC and include an expanded roster of duties and responsibilities.

Vendor Relations Division

- Develop contract administration program and institutionalize it throughout the user departments
- Facilitate training user department personnel and the vendor community in contract administration requirements
- Oversee Local Business Program
- Oversee EBO and EEO Program
- Collect Vendor Data
- Maintain Vendor Information
- Respond to Vendor Inquiries (Regarding how to do business)
- Receive Vendor Performance Data
- Share Vendor Data with other user departments
- Develop vendor outreach program
- Ensure open, honest, and fair competition
- Collect information from prime contractors and key suppliers regarding their diversity spends
- Manage, measure, and market the City's supplier diversity programs
- Break out spending by Types of MBEs
- Track the spend over time
- Track opportunity by following which suppliers are bidding on RFQs to ensure that the city is providing MBEs with opportunities to compete for business.

Purchasing and Vendor Relations will work **TOGETHER** seamlessly

- Effective Collaboration
- Unified Public Policy Objectives
- Shared Understanding of MBE Goals
- Consistent Methodology
- Cohesive Strategy
- Supplier Development
- Supplier integration with new product/process development
- Establish performance in second-tier suppliers
- Establish integrated supplier network
- Contract Administration & Close-out

Purchasing and Vendor Relations will work TOGETHER seamlessly

The Benefits

- The process and procedural efficiencies the City will realize by melding the OCC into its revitalized and restructured purchasing operation include:
 - Creating a “one-stop” shop responsible for all the aspects of vendor relations and compliance
 - Streamline the vendor certification process through on-line vendor registration
 - Developing ongoing vendor monitoring process
 - Implementing on-line and email notification of solicitations
 - Providing greater access to improved information regarding the purchasing process via the internet and Vendor training
 - Establishing vendor tracking and rating programs
 - Improving tracking of vendor performance and taking debarment action against poor performing vendors

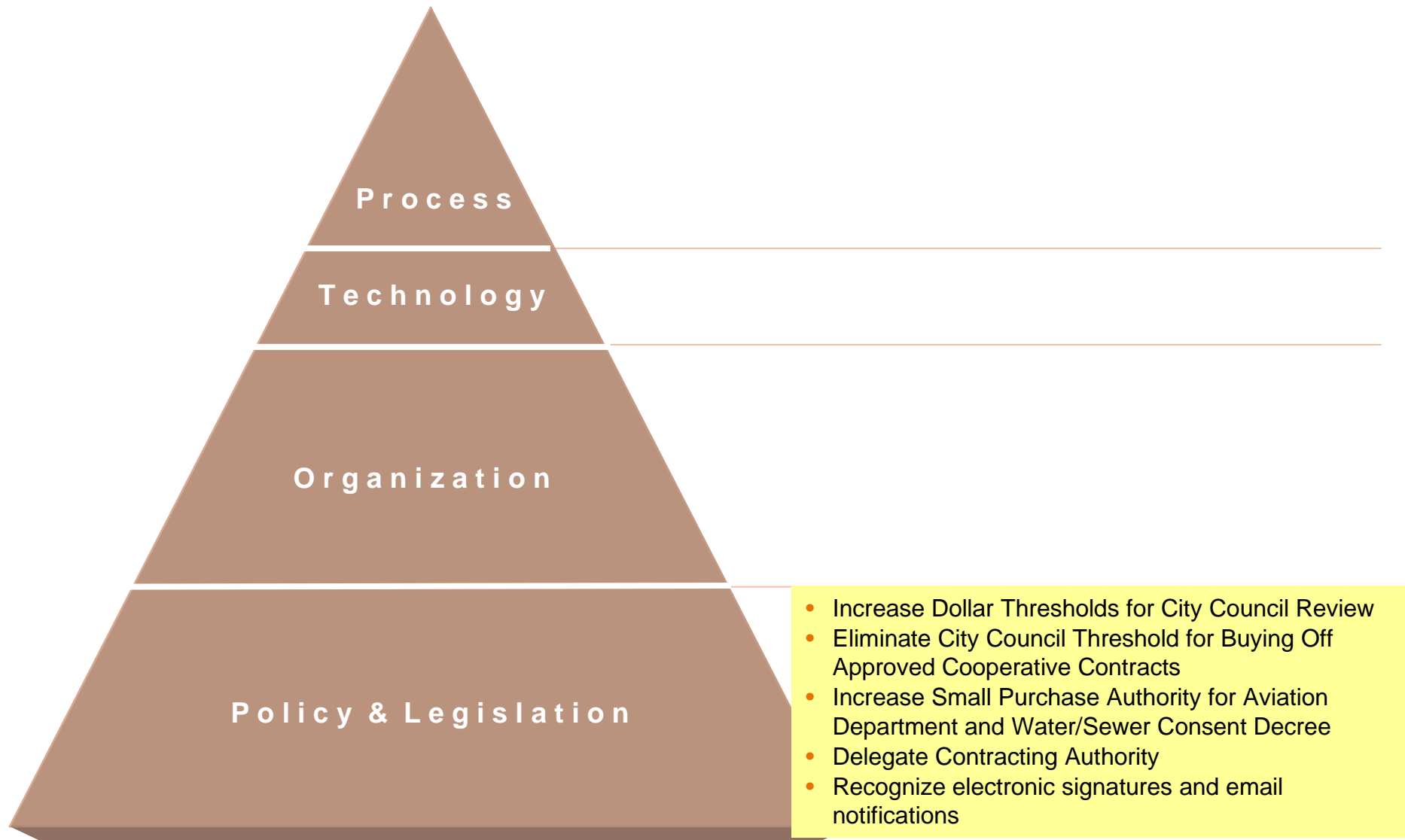
Purchasing and Vendor Relations will work TOGETHER seamlessly

The Benefits

- It is reasonable to assume that a cohesive vendor management program will also help Atlanta save significant dollars:
 - **Identify your vendors:** This may seem obvious, but many cities lack basic information about their vendors. Information in the City's purchasing and accounts payable files may be inaccurate, redundant, and out of date or incomplete. Some direct immediate benefits associated with scrubbing and organizing this data are fewer duplicate payments, fewer checks and lower postage.
 - **Analyze your expenditures:** Determine where money is spent: Build databases and analyze data to better understand how the City is doing. Find out where savings and opportunities exist.
 - **Buy, spend, and pay smarter:** Here is where the City begins to reap the dividends. With better information about spending, Atlanta can negotiate better deals.

Road Map for Change: *"The great thing in this world is not so much where we are, but in what direction we are moving..."*

-Oliver Wendell Holmes



Change the City Council review process.

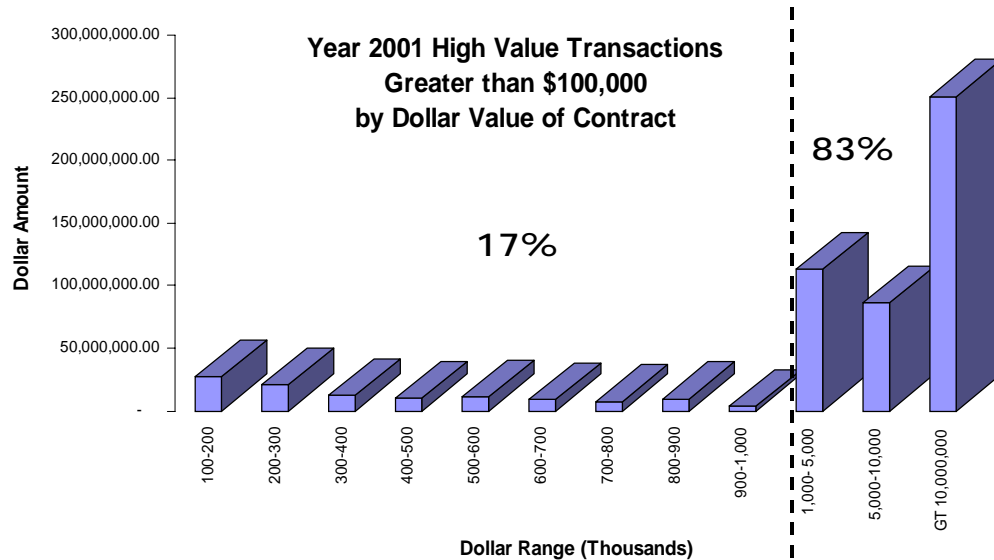
Public Policy

- City Council fulfills its dual role as the steward of taxpayer money and a guardian of the public's trust when it reviews contracting actions that benefit the citizens of Atlanta.
- The City Council has a fiduciary responsibility to ensure the purchasing process is fair, open, and honest, and that the citizens of Atlanta receive "best value" for contracted goods and services.
- As public-fund trustees, the City Council is obligated to scrutinize contract actions to ensure that "best value" translates into "best service," and that such services meet or exceed the legitimate expectations of constituents.

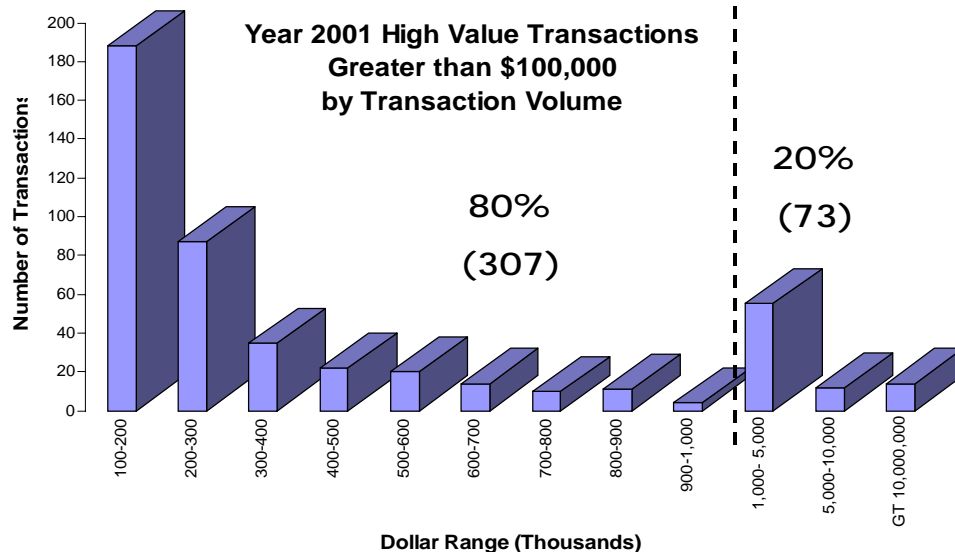
The Problem: *Low dollar thresholds cost COA money.*

- The City Council reviews too many contracts, which increases the cycle time to award and gobbles up the time of BPRE, Finance, and Law Department staff who are required to prepare legislation and attend Council meetings.
- \$20,000 review threshold for approved cooperative contracts is unnecessary and adds no value based upon prevailing best practices.
- The volume of contracts reviewed inhibits City Council's ability to fully realize its public policy objectives.

80% of the contracts reviewed by Council represented just 17% of the total contracting dollars spent.



With an appropriate reporting structure in place, the dollar threshold for City Council review could be increased, while ensuring that the Council continues to exercise responsible and prudent oversight over large, high-dollar value contracts that significantly impact the City's finances and its citizens.



	Transaction Volume		Dollar Volume	
Transactions over \$1 Million	73	20%	\$425 Million	83%
Transactions under \$1 Million	307	80%	\$99 Million	17%
Contracts Total	380	100%	\$524 Million	100%

City Council review costs the COA approximately \$480,000 - \$1.2 million annually.

Low Total Time (Days)	High Total Time (Days)	Low Performance Time (Hours)	High Performance Time (Hours)	Responsible Personnel	Grade and Step	Average Hourly Cost	Low Performance Time Costs	High Performance Time Costs
Prepare Legislation/Ordinance								
1	5	4	20	Contract Officer	19 / 5	\$ 21	\$ 84	\$ 421
		4	20	Admin. Assist	11 / 5	\$ 15	\$ 62	\$ 310
		2	8	Purchase Agent	39 / 5	\$ 37	\$ 73	\$ 293
		2	4	Commissioner	45 / 5	\$ 41	\$ 83	\$ 165
		2	4	CFO	45 / 5	\$ 41	\$ 83	\$ 165
		2	4	Chief of Staff	45 / 5	\$ 41	\$ 83	\$ 165
BPRE Attend Council Committee Meeting								
1	1	8	16	Purchase Agent	39 / 5	\$ 37	\$ 293	\$ 586
Full Council Approval								
15	60	2	8	Purchase Agent	39 / 5	\$ 37	\$ 73	\$ 293
Legislation Review by Mayor								
5	8	2	4	Mayor's Office	11 / 5	\$ 15	\$ 31	\$ 62
		2	4	Mayor's Office	45 / 5	\$ 41	\$ 83	\$ 165
		1	2	Mayor's Office	50 / 5	\$ 55	\$ 55	\$ 109
Legislation Attested by The Clerk								
3	10	1	2	Municipal Clerk	39 / 5	\$ 37	\$ 37	\$ 74
Signature Process - Mayor's Office								
2	2	2	4	Mayor's Office	11 / 5	\$ 15	\$ 31	\$ 62
		2	4	Mayor's Office	45 / 5	\$ 41	\$ 83	\$ 165
		1	2	Mayor's Office	50 / 5	\$ 55	\$ 109	\$ 218
							\$ 1,262	\$ 3,255

Current State

	Low Performance Time Costs	High Performance Time Costs
Number of Contract Reviewed	380	380
Total Cost	\$480,000	\$1,237,000

Micromanagement of the purchasing process is not a “best practice” way to ensure taxpayer dollars are being spent appropriately.

Best Practices in Contract Review Thresholds:

- The **American Bar Association** endorses the trend of establishing higher legislative review thresholds as a hallmark of good government.
- **West Palm Beach, Florida** reformed and improved contracting efficiency and effectiveness by adopting a “Change the Face of the City” approach to contract actions requiring City Council review and approval.
 - If goods, services, or construction requirements were described, budgeted, and approved by the Council, then no further reviews or approvals were necessary.
 - West Palm Beach has **no dollar limit** on applying this policy.
 - The Purchasing Official must prepare a monthly report for the Council that provides members with details of all projects, large purchases, and contract actions to keep them aware of City spending.
 - The West Palm Beach approach to procurement reform has been accepted by the American Bar Association as a standard for other municipalities to use as a legislative reform model.
- The **District of Columbia** has the following threshold requirements for contract review:
 - \$1 million for standard Council review.
 - \$500,000 small purchase authority for the Metropolitan Police Department and the Office of the Chief Technology Officer.
 - \$5,000,000 for Council review of technology purchases on the D.C. Supply Schedule.
- **Seattle, Washington** has a contract review threshold of \$1 million.

A higher review threshold will improve the quality of Council reviews and decrease the cycle time to award lower-dollar contract.

The Strategy:	The Costs:	The Benefits:
<ul style="list-style-type: none"> ▪ In order to maximize the value of City Council reviews and most prudently utilize the time and talents of professional staff, the City should increase the Council Review threshold to \$1 million. ▪ The City Council should specify the monthly reporting requirements necessary to satisfy its review responsibilities for contracts under \$1 million. ▪ Eliminate \$20,000 Council review requirement for cooperative contracts. 	None	<ul style="list-style-type: none"> ✓ City Council retains control over the contract approval process. ✓ City Council will have the opportunity to more carefully analyze large, high-dollar contracting actions that could potentially "change the face of the city." ✓ Permit reallocation of professional staff time and talents to more useful and important endeavors. ✓ Estimated labor-related cost savings of \$388,000 – 999,000.

Increasing the City Council review threshold to \$1 million could save the COA an estimated \$388,000 - \$999,000 in labor-avoidance costs.

Reduce labor costs associated with preparing legislation for the 307 low-dollar contract actions and the cost of time associated with presenting information to City Council.

	Number of Contracts Reviewed	Low Performance Time Costs	High Performance Time Costs
\$100K Threshold	380	\$480,000	\$1,237,000
Proposed \$1 Million Threshold	73	\$92,000	\$238,000
Reduction/ Savings	307	\$388,000	\$999,000

Based upon FY 2001 Data

Recognize the important procurement needs of the Department of Aviation and Water/Sewer Consent Decree.

The Problem:

- *The small purchase threshold* for the Department of Aviation and the Water/Sewer Consent Decree is too low.
- The Department of Aviation is currently spending approximately one-third of the City's total procurement and contracting spend.
- Near-term projections estimate that spending will increase significantly due to initiation of large capital improvement and expansion projects.
- The present \$20,000 small purchase threshold does not permit the two subject areas to obtain the best value and highest degree of customer service from the City's purchasing organization. Too much time is spent focussing on small dollar needs and one-off contracts rather than advance acquisition planning and complex contracts.

Best Practices:

- **Washington, DC** has recognized the important procurement needs of two operating units - the Metropolitan Police Department and the Office of the Chief Technology Officer. To reduce cycle times and improve operating efficiency, the District has increased its small purchase threshold for these key areas from \$25,000 to \$500,000

Recognize the important procurement needs of the Department of Aviation and Water/Sewer Consent Decree.

Justification for Change:

- The higher small purchase thresholds being recommended for the Department of Aviation and the Water/Sewer Consent Decree recognize that internal controls and built in checks and balances will improve and become more enforceable as technology is introduced to the procurement process. Fewer one-off contracts will be needed, permitting greater focus to be placed on complex contracting requirements.
- The deployment of an enterprise-wide e-procurement solution will significantly benefit how the City purchases goods and services. Maverick buying will be eliminated because user departments will have ready access to electronic catalogs and approved contracts.
- An e-procurement solution coupled with a strategic sourcing program will further simplify procurement from the perspective of user department personnel. Over time, more and more goods and services will be made available to user departments via cooperative agreements, city-wide annual contracts, blanket contract agreements, and GSA-like schedules. As this shift to “**smart buying**” takes hold, fewer and fewer RFQs will be necessary.

Recognize the important procurement needs of the Department of Aviation and Water/Sewer Consent Decree.

The Strategy:	The Costs:	The Benefits:
Increase the small purchase threshold for the Department of Aviation and the Water/Sewer Consent Decree to \$100,000	Internal Personnel Resources	<ul style="list-style-type: none">✓ Reduce cycle time associated with repetitive purchases✓ Reduce the number of lower dollar one-off contracts✓ Proactively respond to projected increases in spending levels due to capital expansion✓ Facilitate a higher degree of customer service where it is needed.

The City must make the decisions necessary to implement these recommendations.



This report presents the City of Atlanta with an ***actionable roadmap for change***. The recommendations are based upon a review of the City's purchasing processes from a holistic perspective.

Procurement, contracting, and managing vendor relations have been evaluated strategically to ensure that the tasks identified will - ***taken together*** - provide the City with a comprehensive package of ***interconnected drivers of change***. The following tasks should be viewed ***not*** as a menu of à la carte items to be selected from at will, but rather as a ***single, unified roster*** of closely linked recommendations that will help the City achieve an end-to-end remaking of its purchasing operation.

In order to create a ***best-in-class purchasing organization***, the City must resolve to commit personnel and financial resources to confronting the challenges that lay ahead. The potential, realizable benefits, both in terms of hard-dollar savings and labor-avoidance costs, are significant, but will only be captured if the City effectively plans and organizes its approach to remaking its purchasing organization.

The City's purchasing processes have been reviewed, assessed, and analyzed. Deficiencies have been noted and fully documented. Prevailing private and public sector best practices have been studied and evaluated. The recommendations in this report represent a distillation of the very best ideas pertinent to public purchasing balanced against the City's public policy objectives.

Our work is completed. Now, it is time for the City to shoulder its responsibility and make the decisions necessary to implement these recommendations.

Implementation Schedule



Short Term v. Long Term Tasks

Short Term (within 6 months) and relatively low cost	Long Term (6 months or longer) and may require additional financial resources
<p>TASK 1: Appoint a new Chief Procurement Officer</p> <p>TASK 2: Expand use of website and email</p> <p>TASK 3: Finalize contracting Terms & Conditions</p> <p>TASK 4: Establish a formal training program</p> <p>TASK 5: Introduce Project-based tracking</p> <p>TASK 6: Create Vendor Relations (VR) Division</p>	<p>TASK 7: Establish 4 new Deputy CPO positions</p> <p>TASK 8: Recruit and fill a Construction Contracting Specialist position</p> <p>TASK 9: Relocate a Deputy CPO and staff top airport</p> <p>TASK 10: Create repository of recurring specifications</p> <p>TASK 11: Increase dollar thresholds for City Council review and eliminate City Council threshold for buying off approved cooperative contracts</p> <p>TASK 12: Increase Small Purchase authority for Aviation Department and Water/Sewer Consent Decree</p> <p>TASK 13: Adopt Aggregated Purchasing and Strategic Sourcing Methodologies</p> <p>TASK 14: Initiate Advance Acquisition Planning</p> <p>TASK 15: Streamline Contract Approval Signature Process</p> <p>TASK 16: Standardize proposal evaluation process</p> <p>TASK 17: Develop Contract Administration protocols</p> <p>TASK 18: Deploy automated e-procurement solution</p> <p>TASK 19: Deploy Contract Management Information System</p>

Threshold Requirements

Method	AS IS THRESHOLDS	TO BE THRESHOLDS
Field Purchase Orders	Up to \$1000	Up to \$1000
Small Purchase Procurements	\$1000 - \$20,000	\$1000 - \$20,000 EXCEPT for the Department of Aviation and Water/Sewer Consent Decree, whose thresholds increase to \$1000 - \$100,000
Contracts (Competitive Sealed Bids/Competitive Sealed Proposals)	When estimated cost exceeds \$20,000	When estimated cost exceeds \$20,000, EXCEPT for the Department of Aviation and Water/Sewer Consent Decree, whose thresholds increase to "when estimated cost exceeds \$100,000"
City Council Review Threshold	\$100,000	\$1,000,000
City Council Review of Purchases Off Cooperative Agreements	\$20,000	Eliminate Dollar Threshold

Anticipated Results of Short Term Tasks...

Task #	Task Description	Duration (Months)	Anticipated Results
1	Appoint a new CPO	6	<ul style="list-style-type: none"> ▪ Effectively execute the City's public policy goals related to purchasing ▪ Couple authority with responsibility ▪ Develop an overarching purchasing strategy for the City ▪ Able to initiate substantive organization change ▪ Elevates purchasing to the cabinet level – where it belongs
2	Expand use of website and email	2	<ul style="list-style-type: none"> ▪ Be efficient and effective ▪ Assure transparency ▪ Reduce cycle times ▪ Reduce the number of vendor inquiries ▪ Reduce the amount of time spent on copying, packaging, and/or mailing of documents
3	Finalize contracting Terms & Conditions	3	<ul style="list-style-type: none"> ▪ Be efficient and effective ▪ Reduce cycle times by eliminating the need for multiple reviews ▪ Stop the practice of making unauthorized changes to legal documents
4	Establish a formal training program	4	<ul style="list-style-type: none"> ▪ Develop and maintain a well-trained, professional, and organized workforce ▪ Improve efficiency and cost effectiveness of the City's purchasing ▪ Increase end user and public confidence in the City's services
5	Introduce project-based tracking	2	<ul style="list-style-type: none"> ▪ Be efficient and effective ▪ Allows staff resources to be deployed where they are needed, when the are needed ▪ Eliminate inefficient workload disparities ▪ Improve morale by facilitating team building
6	Create Vendor Relations (VR) Division	3	<ul style="list-style-type: none"> ▪ Ensure integrity of the purchasing process by being ethical, honest, and fair ▪ Assure transparency with a high degree of customer service ▪ Create an unified approach to managing vendor relations, contract administration, monitoring vendor performance, and establishing a single vendor tracking and rating program

Anticipated Results of Long Term Tasks...

Task #	Task Description	Duration (Months)	Anticipated Results
7	Establish 4 new Deputy CPO positions	8	<ul style="list-style-type: none"> Assist the CPO to effectively execute the City's public policy goals related to purchasing Maximize the value the City receives on spending Implement CPO's vision and strategic decisions
8	Recruit and fill a Construction Contracting Specialist position	2	<ul style="list-style-type: none"> Maximize the value that the City receives on spending Focus specialized subject matter expertise where it is needed, when it is needed Ensure that complex construction contracts are awarded timely and represent the best value for the City
9	Relocate a Deputy CPO and staff to airport	8	<ul style="list-style-type: none"> Be efficient and effective Ensure integrity of the purchasing process by being ethical, honest, and fair Maximize the value that the City receives on spending Focus resources where they can provide the most assistance
10	Create repository of recurring specifications	6	<ul style="list-style-type: none"> Be efficient and effective Maximize the value that the City receives on spending Improve cycle times Improve the quality of solicitations Make it easier for vendors to understand what the City wants
11	Increase dollar thresholds for City Council review and eliminate City Council threshold for buying off approved cooperative contracts	3	<ul style="list-style-type: none"> Ensure the integrity of the purchasing process by being ethical, honest, and fair Effectively execute the City's public policy goals related to purchasing Better performance of the City Council's stewardship role as holders of the public trust More complete and comprehensive reviews of high dollar value contracts Realize labor avoidance savings of approximately \$400,000 - \$1 million
12	Increase Small Purchase authority for Aviation Department and Water/Sewer Consent Decree	3	<ul style="list-style-type: none"> Be efficient and effective Decrease cycle times Improve customer service Recognize the special needs of the City's largest spending entities
13	Adopt aggregated purchasing and strategic sourcing methodologies	12	<ul style="list-style-type: none"> Maximize the value that the City receives on spending Realize hard dollar savings on the price of goods and services estimated at <u>\$19 – \$45 million</u> Realize cycle time improvements and soft dollar savings associated with spending less time on status tracking and more time on spending analysis and strategic thinking
14	Initiate Advance Acquisition Planning	6	<ul style="list-style-type: none"> Maximize the value that the City receives on spending Be more efficient and effective Enhance customer service Effective foreshadowing of what is upcoming in the contract pipeline Foster open, honest dialogue between purchasing and user department decision makers
15	Streamline Contract Approval Signature Process	3	<ul style="list-style-type: none"> Be efficient and effective Improve cycle time significantly Less wasted lag time Better resource allocation Realize \$1.2 to \$3.6 million in soft dollar labor avoidance costs
16	Standardize Proposal Evaluation Process	3	<ul style="list-style-type: none"> Ensure integrity of the purchasing process by being ethical, honest, and fair Improve the quality and timeliness of the proposed evaluation process
17	Develop Contract Administration protocols	6	<ul style="list-style-type: none"> Be efficient and effective Standardize post-award protocols for user departments and other relevant participants Monitor vendor performance to ensure compliance with agreed upon terms Monitor the timeliness of payments to vendors
18	Deploy automated e-procurement solution	8	<ul style="list-style-type: none"> Maximize the value that the City receive on spending Be efficient and effective Realize approximately \$2 million annually in soft dollar labor avoidance costs Push buying down to frontline employees Significant cycle time reductions
19	Deploy automated Contract Management Information System (CMIS)	12	<ul style="list-style-type: none"> Be efficient and effective Improved status tracking of contract actions Reduced cycle times Improve the contract development and drafting processes Store relevant contract data in a readily accessible and shared database

The Bottom Line...



Implementation Costs over 2 years = \$8 Million

Task	Task Description		YEAR	
			1	2
1	Appoint a new CPO		\$ (157,500)	\$ (162,225)
2	Expand use of website and email		\$ (2,000)	\$ -
3	Finalize contracting Terms and Conditions		\$ -	\$ -
4	Establish a formal training program		\$ (35,825)	\$ (35,825)
5	Introduce project-based time tracking		\$ -	\$ -
6	Create Vendor Relations (VR) Division		\$ -	\$ -
7	Establish 4 new Deputy Chief Procurement Officer positions		\$ (529,200.00)	\$ (545,076)
8	Recruit and fill a Construction Contracting Specialist position		\$ (113,400)	\$ (116,802)
9	Relocate a Deputy CPO and staff to airport		\$ -	\$ -
10	Create repository of recurring specifications		\$ (173,340)	\$ (57,780)
11	Increase dollar threshold for City Council review and eliminate City Council threshold for buying off approved cooperative agreements		\$ -	\$ -
12	Increase small purchase authority for Aviation Department and Water/Sewer consent decree			
13	Adopt Aggregated Purchasing and Strategic Sourcing Methodologies		\$ -	\$ -
14	Initiate Advance Acquisition Planning		\$ -	\$ -
15	Streamline Contract Approval Signature Process		\$ -	\$ -
16	Standardize proposal evaluation process		\$ (75,000.00)	
17	Develop Contract Administration protocols		\$ (150,000.00)	
18	Deploy automated E-procurement Solution		\$ (3,400,000)	
19	Deploy automated Contract Management Information System		\$ -	\$ (4,000,000.00)
	TOTAL COSTS		\$ (4,636,265)	\$ (4,917,708)
	Inflation Rate	3%		
	Discount Rate	12%		
	NPV OF COSTS		\$ (8,059,889)	

The Bottom Line...



Hard Dollar Savings over 3 years =\$15.25 million

Task	Task Description		YEAR		
			1	2	3
1	Appoint a new CPO		\$ -	\$ -	\$ -
2	Expand use of website and email		\$ -	\$ -	\$ -
3	Finalize contracting Terms and Conditions		\$ -	\$ -	\$ -
4	Establish a formal training program		\$ -	\$ -	\$ -
5	Introduce project-based time tracking		\$ -	\$ -	\$ -
6	Create Vendor Relations (VR) Division		\$ -	\$ -	\$ -
7	Establish 4 new Deputy Chief Procurement Officer positions		\$ -	\$ -	\$ -
8	Recruit and fill a Construction Contracting Specialist position		\$ -	\$ -	\$ -
9	Relocate a Deputy CPO and staff to airport		\$ -	\$ -	\$ -
10	Create repository of recurring specifications		\$ -	\$ -	\$ -
11	Increase dollar threshold for City Council review and eliminate City Council threshold for buying off approved cooperative agreements		\$ -	\$ -	\$ -
12	Increase small purchase authority for Aviation Department and Water/Sewer consent decree				\$ -
13	Adopt Aggregated Purchasing and Strategic Sourcing Methodologies		\$ 3,900,000	\$ 7,800,000	\$ 7,800,000
14	Initiate Advance Acquisition Planning		\$ -	\$ -	\$ -
15	Streamline Contract Approval Signature Process		\$ -	\$ -	\$ -
16	Standardize proposal evaluation process		\$ -	\$ -	\$ -
17	Develop Contract Administration protocols		\$ -	\$ -	\$ -
18	Deploy automated E-procurement Solution		\$ -	\$ -	\$ -
19	Deploy automated Contract Management Information System		\$ -	\$ -	\$ -
	TOTAL SAVINGS		\$ 3,900,000	\$ 7,800,000	\$ 7,800,000
	Inflation Rate	3%			
	Discount Rate	12%			
	NPV OF SAVINGS		\$ 15,252,141		

The Bottom Line...



**Soft Dollar/
Productivity Enhancement Savings over 3 years = \$7.2 million**

Task	Task Description		YEAR		
			1	2	3
1	Appoint a new CPO		\$ -	\$ -	\$ -
2	Expand use of website and email		\$ -	\$ -	\$ -
3	Finalize contracting Terms and Conditions		\$ -	\$ -	\$ -
4	Establish a formal training program		\$ -	\$ -	\$ -
5	Introduce project-based time tracking		\$ -	\$ -	\$ -
6	Create Vendor Relations (VR) Division		\$ -	\$ -	\$ -
7	Establish 4 new Deputy Chief Procurement Officer positions		\$ -	\$ -	\$ -
8	Recruit and fill a Construction Contracting Specialist position		\$ -	\$ -	\$ -
9	Relocate a Deputy CPO and staff to airport		\$ -	\$ -	\$ -
10	Create repository of recurring specifications		\$ -	\$ -	\$ -
11	Increase dollar threshold for City Council review and eliminate City Council threshold for buying off approved cooperative agreements		\$ 400,000	\$ 400,000	\$ 400,000
12	Increase small purchase authority for Aviation Department and Water/Sewer consent decree				\$ -
13	Adopt Aggregated Purchasing and Strategic Sourcing Methodologies		\$ -	\$ -	\$ -
14	Initiate Advance Acquisition Planning		\$ -	\$ -	\$ -
15	Streamline Contract Approval Signature Process		\$ 600,000	\$ 1,200,000	\$ 1,200,000
16	Standardize proposal evaluation process		\$ -	\$ -	\$ -
17	Develop Contract Administration protocols		\$ -	\$ -	\$ -
18	Deploy automated E-procurement Solution		\$ 1,000,000	\$ 2,000,000	\$ 2,000,000
19	Deploy automated Contract Management Information System		\$ -	\$ -	\$ -
	TOTAL SAVINGS		\$ 2,000,000	\$ 3,600,000	\$ 3,600,000
	Inflation Rate	3%			
	Discount Rate	12%			
	NPV OF SAVINGS		\$ 7,218,021		